

1 **2089 AMH FISG H3080.1**

2 **HB 2089 - H AMD 854 WITHDRAWN 4/13/95**

3 By Representative G. Fisher

4

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** This act may be known and cited as the
8 taxpayer relief act of 1995.

9 NEW SECTION. **Sec. 2.** The legislature finds and declares that:

10 (1) The health, safety, and welfare of the people of the state of
11 Washington are heavily dependent upon the continued encouragement,
12 development, and expansion of opportunities for family wage employment
13 in our state's private sector;

14 (2) The state's private sector must be encouraged to commit to
15 continuous improvement of process, products, and services and to
16 deliver high-quality, high-value products through technological
17 innovations and high-performance work organizations;

18 (3) The state's opportunities for increased economic dealings with
19 other states and nations of the world are dependent on supporting and
20 attracting a diverse, stable, and competitive economic base of private
21 sector employers;

22 (4) The state's current policy of applying its sales and use taxes
23 to machinery, equipment, and installation labor used in manufacturing,
24 research and development, and other activities has placed our state's
25 private sector at a competitive disadvantage with other states and
26 serves as a significant disincentive to the continuous improvement of
27 products, technology, and modernization necessary for the preservation,
28 stabilization, and expansion of employment and to ensure a stable
29 economy; and

30 (5) It is vital to the continued development of economic
31 opportunity in this state, including the development of new businesses
32 and the expansion or modernization of existing businesses, that the
33 state of Washington provide tax incentives to entities making a
34 commitment to sites and operations in this state.



1 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.08 RCW
2 to read as follows:

3 (1) The tax levied by RCW 82.08.020 shall not apply to sales to a
4 manufacturer or processor for hire of machinery and equipment used
5 directly in a manufacturing operation, or to sales of machinery and
6 equipment used directly in a potato packaging operation, or to sales of
7 or charges made for labor and services rendered in respect to
8 installing the machinery and equipment, but only when the purchaser
9 provides the seller with an exemption certificate in a form and manner
10 prescribed by the department by rule, and the purchaser provides the
11 department with a duplicate of the certificate or a summary of exempt
12 sales as the department may require. The seller shall retain a copy of
13 the certificate for the seller's files.

14 (2) For purposes of this section and section 4 of this act:

15 (a) "Machinery and equipment" means industrial fixtures, devices,
16 and support facilities. "Machinery and equipment" includes pollution
17 control equipment installed and used in a manufacturing operation to
18 prevent air pollution, water pollution, or contamination that might
19 otherwise result from the manufacturing operation.

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

21 (i) Hand tools;

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

23 (iii) Repair parts required to restore machinery and equipment to
24 normal working order;

25 (iv) Replacement parts that do not increase productivity, improve
26 efficiency, or extend the useful life of the machinery and equipment;
27 or

28 (v) Building fixtures that are not integral to the manufacturing
29 operation or potato packaging operation that are permanently affixed to
30 and become a physical part of a building, such as utility systems for
31 heating, ventilation, air conditioning, communications, plumbing, or
32 electrical.

33 (c) Machinery and equipment is "used directly" in a manufacturing
34 operation or potato packaging operation if the machinery and equipment:

35 (i) Acts upon or interacts with an item of tangible personal
36 property;

37 (ii) Conveys, transports, handles, or temporarily stores an item of
38 tangible personal property at the manufacturing or packaging site;



1 (iii) Controls, guides, measures, verifies, aligns, regulates, or
2 tests tangible personal property;

3 (iv) Provides physical support for or access to tangible personal
4 property;

5 (v) Produces steam or mechanical power for, or lubricates machinery
6 and equipment;

7 (vi) Produces another item of tangible personal property for use in
8 the manufacturing operation or potato packaging operation; or

9 (vii) Places tangible personal property in the container, package,
10 or wrapping in which the tangible personal property is normally sold or
11 transported.

12 (d) "Manufacturing operation" means the manufacturing of articles,
13 substances, or commodities for sale as tangible personal property. The
14 manufacturing operation begins at the point where the raw materials
15 enter the manufacturing site and ends at the point where the finished
16 product leaves the manufacturing site. The term does not include
17 research and development, cogeneration or the production of
18 electricity, or the preparation of food products on the premises of a
19 person selling food products at retail.

20 (e) "Potato packaging operation" means the packaging of fresh
21 potatoes for sale in their natural state. The packaging operation
22 begins at the point where the fresh potatoes enter the packaging site
23 and ends at the point where the packaged product leaves the packaging
24 site.

25 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.12 RCW
26 to read as follows:

27 The provisions of this chapter shall not apply in respect to the
28 use by a manufacturer or processor for hire of machinery and equipment
29 used directly in a manufacturing operation, or in respect to the use of
30 machinery and equipment used directly in a potato packaging operation,
31 but only when the user provides the department with:

32 (1) An exemption certificate in a form and manner prescribed by the
33 department within sixty days of the first use of the machinery and
34 equipment in this state; or

35 (2) An annual summary listing the machinery and equipment by
36 January 31 of the year following the calendar year in which the
37 machinery and equipment is first used in this state.



1 **Sec. 5.** RCW 82.04.190 and 1986 c 231 s 2 are each amended to read
2 as follows:

3 "Consumer" means the following:

4 (1) Any person who purchases, acquires, owns, holds, or uses any
5 article of tangible personal property irrespective of the nature of the
6 person's business and including, among others, without limiting the
7 scope hereof, persons who install, repair, clean, alter, improve,
8 construct, or decorate real or personal property of or for consumers
9 other than for the purpose (a) of resale as tangible personal property
10 in the regular course of business or (b) of incorporating such property
11 as an ingredient or component of real or personal property when
12 installing, repairing, cleaning, altering, imprinting, improving,
13 constructing, or decorating such real or personal property of or for
14 consumers or (c) of consuming such property in producing for sale a new
15 article of tangible personal property or a new substance, of which such
16 property becomes an ingredient or component or as a chemical used in
17 processing, when the primary purpose of such chemical is to create a
18 chemical reaction directly through contact with an ingredient of a new
19 article being produced for sale or (d) purchases for the purpose of
20 consuming the property purchased in producing ferrosilicon which is
21 subsequently used in producing magnesium for sale, if the primary
22 purpose of such property is to create a chemical reaction directly
23 through contact with an ingredient of ferrosilicon;

24 (2) Any person engaged in any business activity taxable under RCW
25 82.04.290 and any person who purchases, acquires, or uses any telephone
26 service as defined in RCW 82.04.065, other than for resale in the
27 regular course of business;

28 (3) Any person engaged in the business of contracting for the
29 building, repairing or improving of any street, place, road, highway,
30 easement, right of way, mass public transportation terminal or parking
31 facility, bridge, tunnel, or trestle which is owned by a municipal
32 corporation or political subdivision of the state of Washington or by
33 the United States and which is used or to be used primarily for foot or
34 vehicular traffic including mass transportation vehicles of any kind as
35 defined in RCW 82.04.280, in respect to tangible personal property when
36 such person incorporates such property as an ingredient or component of
37 such publicly owned street, place, road, highway, easement, right of
38 way, mass public transportation terminal or parking facility, bridge,
39 tunnel, or trestle by installing, placing or spreading the property in



1 or upon the right of way of such street, place, road, highway,
2 easement, bridge, tunnel, or trestle or in or upon the site of such
3 mass public transportation terminal or parking facility;

4 (4) Any person who is an owner, lessee or has the right of
5 possession to or an easement in real property which is being
6 constructed, repaired, decorated, improved, or otherwise altered by a
7 person engaged in business, excluding only (a) municipal corporations
8 or political subdivisions of the state in respect to labor and services
9 rendered to their real property which is used or held for public road
10 purposes, and (b) the United States, instrumentalities thereof, and
11 county and city housing authorities created pursuant to chapter 35.82
12 RCW in respect to labor and services rendered to their real property.
13 Nothing contained in this or any other subsection of this definition
14 shall be construed to modify any other definition of "consumer";

15 (5) Any person who is an owner, lessee, or has the right of
16 possession to personal property which is being constructed, repaired,
17 improved, cleaned, imprinted, or otherwise altered by a person engaged
18 in business;

19 (6) Any person engaged in the business of constructing, repairing,
20 decorating, or improving new or existing buildings or other structures
21 under, upon, or above real property of or for the United States, any
22 instrumentality thereof, or a county or city housing authority created
23 pursuant to chapter 35.82 RCW, including the installing or attaching of
24 any article of tangible personal property therein or thereto, whether
25 or not such personal property becomes a part of the realty by virtue of
26 installation; also, any person engaged in the business of clearing land
27 and moving earth of or for the United States, any instrumentality
28 thereof, or a county or city housing authority created pursuant to
29 chapter 35.82 RCW. Any such person shall be a consumer within the
30 meaning of this subsection in respect to tangible personal property
31 incorporated into, installed in, or attached to such building or other
32 structure by such person; and

33 (7) Any person who is a lessor of machinery and equipment, the
34 rental of which is exempt from the tax imposed by RCW 82.08.020 under
35 section 3 of this act, with respect to the sale of or charge made for
36 tangible personal property consumed and for labor and services rendered
37 in respect to repairing the machinery and equipment.



1 Nothing contained in this or any other subsection of this
2 definition shall be construed to modify any other definition of
3 "consumer."

4 **Sec. 6.** RCW 82.60.020 and 1994 sp.s. c 7 s 704 and 1994 sp.s. c 1
5 s 1 are each reenacted and amended to read as follows:

6 Unless the context clearly requires otherwise, the definitions in
7 this section apply throughout this chapter.

8 (1) "Applicant" means a person applying for a tax deferral under
9 this chapter.

10 (2) "Department" means the department of revenue.

11 (3) "Eligible area" means: (a) A county in which the average level
12 of unemployment for the three years before the year in which an
13 application is filed under this chapter exceeds the average state
14 unemployment for those years by twenty percent; (b) a metropolitan
15 statistical area, as defined by the office of federal statistical
16 policy and standards, United States department of commerce, in which
17 the average level of unemployment for the calendar year immediately
18 preceding the year in which an application is filed under this chapter
19 exceeds the average state unemployment for such calendar year by twenty
20 percent; (c) a designated community empowerment zone approved under RCW
21 43.63A.700 or a county containing such a community empowerment zone;
22 (d) a town with a population of less than twelve hundred persons in
23 those counties that are not covered under (a) of this subsection that
24 are timber impact areas as defined in RCW 43.31.601; ~~((e))~~ (e) a
25 county designated by the governor as an eligible area under RCW
26 82.60.047; or (f) a county that is contiguous to a county that
27 qualifies as an eligible area under (a) or (e) of this subsection.

28 (4)(a) "Eligible investment project" means:

29 (i) An investment project in an eligible area as defined in
30 subsection (3)(a), (b), (d), or (e) of this section; or

31 (ii) That portion of an investment project in an eligible area as
32 defined in subsection (3)(c) or (f) of this section which ~~((i))~~ is
33 directly utilized to create at least one new full-time qualified
34 employment position for each three hundred thousand dollars of
35 investment on which a deferral is requested in an application approved
36 before July 1, 1994, and for each seven hundred fifty thousand dollars
37 of investment on which a deferral is requested in an application
38 approved after June 30, 1994 ~~((i) and~~



1 ~~(ii) Either initiates a new operation, or expands or diversifies a~~
2 ~~current operation by expanding, equipping, or renovating an existing~~
3 ~~facility with costs in excess of twenty five percent of the true and~~
4 ~~fair value of the facility prior to improvement)).~~

5 (b) The lessor/owner of a qualified building is not eligible for a
6 deferral unless the underlying ownership of the buildings, machinery,
7 and equipment vests exclusively in the same person, or unless the
8 lessor by written contract agrees to pass the economic benefit of the
9 deferral to the lessee in the form of reduced rent payments.

10 ~~((b))~~ (c) For purposes of ~~(a)((i))~~ (ii) of this
11 subsection~~((τ))~~:

12 (i) The department shall consider the entire investment project,
13 including any investment in machinery and equipment that otherwise
14 qualifies for exemption under section 3 or 4 of this act, for purposes
15 of determining the portion of the investment project that qualifies for
16 deferral as an eligible investment project; and

17 (ii) The number of new full-time qualified employment positions
18 created by an investment project shall be deemed to be reduced by the
19 number of full-time employment positions maintained by the recipient in
20 any other community in this state that are displaced as a result of the
21 investment project.

22 ~~((e))~~ (d) "Eligible investment project" does not include any
23 portion of an investment project undertaken by a light and power
24 business as defined in RCW 82.16.010(5), other than that portion of a
25 cogeneration project~~((s that are both an integral part of a~~
26 ~~manufacturing facility and owned at least fifty percent by the~~
27 ~~manufacturer))~~ that is used to generate power for consumption within
28 the manufacturing site of which the cogeneration project is an integral
29 part, or investment projects which have already received deferrals
30 under this chapter.

31 (5) "Investment project" means an investment in qualified buildings
32 or qualified machinery and equipment, including labor and services
33 rendered in the planning, installation, and construction of the
34 project.

35 (6) "Manufacturing" means all activities of a commercial or
36 industrial nature wherein labor or skill is applied, by hand or
37 machinery, to materials so that as a result thereof a new, different,
38 or useful substance or article of tangible personal property is
39 produced for sale or commercial or industrial use and shall include the



1 production or fabrication of specially made or custom made articles.
2 "Manufacturing" also includes computer programming, the production of
3 computer software, and other computer-related services, and the
4 activities performed by research and development laboratories and
5 commercial testing laboratories.

6 (7) "Person" has the meaning given in RCW 82.04.030.

7 (8) "Qualified buildings" means construction of new structures, and
8 expansion or renovation of existing structures for the purpose of
9 increasing floor space or production capacity used for manufacturing
10 and research and development activities, including plant offices and
11 warehouses or other facilities for the storage of raw material or
12 finished goods if such facilities are an essential or an integral part
13 of a factory, mill, plant, or laboratory used for manufacturing or
14 research and development. If a building is used partly for
15 manufacturing or research and development and partly for other
16 purposes, the applicable tax deferral shall be determined by
17 apportionment of the costs of construction under rules adopted by the
18 department.

19 (9) "Qualified employment position" means a permanent full-time
20 employee employed in the eligible investment project during the entire
21 tax year.

22 (10) "Qualified machinery and equipment" means all new industrial
23 and research fixtures, equipment, and support facilities that are an
24 integral and necessary part of a manufacturing or research and
25 development operation. "Qualified machinery and equipment" includes:
26 Computers; software; data processing equipment; laboratory equipment;
27 manufacturing components such as belts, pulleys, shafts, and moving
28 parts; molds, tools, and dies; operating structures; and all equipment
29 used to control or operate the machinery.

30 (11) "Recipient" means a person receiving a tax deferral under this
31 chapter.

32 (12) "Research and development" means the development, refinement,
33 testing, marketing, and commercialization of a product, service, or
34 process before commercial sales have begun. As used in this
35 subsection, "commercial sales" excludes sales of prototypes or sales
36 for market testing if the total gross receipts from such sales of the
37 product, service, or process do not exceed one million dollars.



1 **Sec. 7.** RCW 82.60.040 and 1994 sp.s. c 1 s 3 are each amended to
2 read as follows:

3 (1) The department shall issue a sales and use tax deferral
4 certificate for state and local sales and use taxes due under chapters
5 82.08, 82.12, and 82.14 RCW on each eligible investment project that:

6 (a) Is located in an eligible area (~~((other than a designated
7 neighborhood reinvestment area approved under RCW 43.63A.700))~~) as
8 defined in RCW 82.60.020(3)(a), (b), (d), or (e);

9 (b) Is located in (~~(any county)~~) an eligible area as defined in RCW
10 82.60.020(3)(f) if seventy-five percent of the new qualified employment
11 positions are to be filled by residents of a contiguous county that
12 ((qualifies as)) is an eligible area as defined in RCW 82.60.020(3)(a)
13 or (e); or

14 (c) Is located in (~~(a designated neighborhood reinvestment area~~
15 ~~approved under RCW 43.63A.700, or in a county containing such a~~
16 ~~neighborhood reinvestment area,)) an eligible area as defined in RCW
17 82.60.020(3)(c) if seventy-five percent of the new qualified employment
18 positions are to be filled by residents of ((the neighborhood
19 reinvestment area)) a designated community empowerment zone approved
20 under RCW 43.63A.700 located within the county in which the eligible
21 investment project is located.~~

22 (2) The department shall keep a running total of all deferrals
23 granted under this chapter during each fiscal biennium.

24 **Sec. 8.** RCW 82.60.045 and 1994 sp.s. c 1 s 4 are each amended to
25 read as follows:

26 In addition to the other requirements of this chapter, a recipient
27 of a tax deferral under RCW 82.60.040(1) (b) or (c) shall meet the
28 following requirements:

29 (1) The recipient shall fill at least seventy-five percent of the
30 new qualified employment positions with residents of the contiguous
31 county or (~~(neighborhood reinvestment area))~~ community empowerment zone
32 by December 31 of the calendar year during which the department
33 certifies that the investment project is operationally completed, and
34 shall maintain the required percentage during each of the seven
35 succeeding calendar years.

36 (2) If the deferral is for expansion or diversification of an
37 existing facility, the recipient shall ensure that the percentage of
38 qualified employment positions filled by residents of the contiguous



1 county or ((neighborhood reinvestment area)) community empowerment zone
2 for periods prior to the application be maintained for seven calendar
3 years after the year during which the department certifies that the
4 investment project is operationally completed.

5 **Sec. 9.** RCW 82.60.070 and 1994 sp.s. c 1 s 5 are each amended to
6 read as follows:

7 (1) Each recipient of a deferral granted under this chapter prior
8 to July 1, 1994, shall submit a report to the department on December
9 31st of each year during the repayment period until the tax deferral is
10 repaid. Each recipient of a deferral granted under this chapter after
11 June 30, 1994, shall submit a report to the department on December 31st
12 of the year in which the investment project is certified by the
13 department as having been operationally completed, and on December 31st
14 of each of the seven succeeding calendar years. The report shall
15 contain information, as required by the department, from which the
16 department may determine whether the recipient is meeting the
17 requirements of this chapter. If the recipient fails to submit a
18 report or submits an inadequate report, the department may declare the
19 amount of deferred taxes outstanding to be immediately assessed and
20 payable.

21 (2) If, on the basis of a report under this section or other
22 information, the department finds that an investment project is not
23 eligible for tax deferral under this chapter for reasons other than
24 failure to create the required number of qualified employment
25 positions, the amount of deferred taxes outstanding for the project
26 shall be immediately due.

27 (3) If, on the basis of a report under this section or other
28 information, the department finds that an investment project for which
29 a deferral has been granted under this chapter prior to July 1, 1994,
30 has been operationally complete for three years and has failed to
31 create the required number of qualified employment positions, the
32 department shall assess interest, but not penalties, on the deferred
33 taxes for the project. The interest shall be assessed at the rate
34 provided for delinquent excise taxes, shall be assessed retroactively
35 to the date of deferral, and shall accrue until the deferred taxes are
36 repaid.

37 (4) If, on the basis of a report under this section or other
38 information, the department finds that an investment project for which



1 a deferral has been granted under this chapter after June 30, 1994, has
2 been operationally complete for three years and has failed to create
3 the required number of qualified employment positions, the amount of
4 taxes not eligible for deferral shall be immediately due. The
5 department shall assess interest at the rate provided for delinquent
6 excise taxes, but not penalties, retroactively to the date of deferral.

7 (5) If, on the basis of a report under this section or other
8 information, the department finds that an investment project qualifying
9 for deferral under RCW 82.60.040(1) (b) or (c) has failed to comply
10 with any requirement of RCW 82.60.045 for any calendar year for which
11 reports are required under subsection (1) of this section, twelve and
12 one-half percent of the amount of deferred taxes shall be immediately
13 due. The department shall assess interest at the rate provided for
14 delinquent excise taxes, but not penalties, retroactively to the date
15 of deferral.

16 (6) Notwithstanding any other subsection of this section, deferred
17 taxes on the following need not be repaid:

18 (a) Machinery and equipment, and sales of or charges made for labor
19 and services, which at the time of purchase would have qualified for
20 exemption under section 3 of this act; and

21 (b) Machinery and equipment which at the time of first use would
22 have qualified for exemption under section 4 of this act.

23 **Sec. 10.** RCW 82.61.010 and 1994 c 125 s 1 are each amended to read
24 as follows:

25 Unless the context clearly requires otherwise, the definitions in
26 this section apply throughout this chapter.

27 (1) "Applicant" means a person applying for a tax deferral under
28 this chapter.

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

30 (3) "Department" means the department of revenue.

31 (4) "Eligible investment project" means:

32 (a) Construction of new buildings and the acquisition of new
33 related machinery and equipment when the buildings, machinery, and
34 equipment are to be used for either manufacturing or research and
35 development activities, which construction is commenced prior to
36 December 31, (~~(1998)~~) 1995; or

37 (b) Acquisition prior to December 31, (~~(1998)~~) 1995, of new
38 machinery and equipment to be used for either manufacturing or research



1 and development if the machinery and equipment is housed in a new
2 leased structure. The lessor/owner of the structure is not eligible
3 for a deferral unless the underlying ownership of the buildings,
4 machinery, and equipment vests exclusively in the same person; or

5 (c) Acquisition of all new or used machinery, equipment, or other
6 personal property for use in the production or casting of aluminum at
7 an aluminum smelter or at facilities related to an aluminum smelter, if
8 the plant was in operation prior to 1975 and has ceased operations or
9 is in imminent danger of ceasing operations for economic reasons, as
10 determined by the department, and if the person applying for a deferral
11 (i) has consulted with any collective bargaining unit that represented
12 employees of the plant pursuant to a collective bargaining agreement
13 that was in effect either immediately prior to the time the plant
14 ceased operations or during the period when the plant was in imminent
15 danger of ceasing operations, on the proposed operation of the plant
16 and on the terms and conditions of employment for wage and salaried
17 employees and (ii) has obtained a written concurrence from the
18 bargaining unit on the decision to apply for a deferral under this
19 chapter; or

20 (d) Modernization projects involving construction, acquisition, or
21 upgrading of equipment or machinery, including services and labor,
22 which are commenced after May 19, 1987, and are intended to increase
23 the operating efficiency of existing plants which are either aluminum
24 smelters or aluminum rolling mills or of facilities related to such
25 plants, if the plant was in operation prior to 1975, and if the person
26 applying for a deferral (i) has consulted with any collective
27 bargaining unit that represents employees of the plant on the proposed
28 operation of the plant and the terms and conditions of employment for
29 wage and salaried employees and (ii) has obtained a written concurrence
30 from the bargaining unit on the decision to apply for a deferral under
31 this chapter.

32 (5) "Manufacturing" means all activities of a commercial or
33 industrial nature wherein labor or skill is applied, by hand or
34 machinery, to materials so that as a result thereof a new, different,
35 or useful substance or article of tangible personal property is
36 produced for sale or commercial or industrial use and includes the
37 production or fabrication of specially made or custom-made articles.



1 (6) "Research and development" means the development, refinement,
2 testing, marketing, and commercialization of a product, service, or
3 process before commercial sales have begun.

4 (7) "Buildings" means only those new structures used for either
5 manufacturing or research and development activities, including plant
6 offices and warehouses or other facilities for the storage of raw
7 materials or finished goods if such facilities are an essential or an
8 integral part of a factory, mill, plant, or laboratory used for
9 manufacturing or research and development purposes. If a building is
10 used partly for manufacturing or research and development and partly
11 for other purposes, the applicable tax deferral shall be determined by
12 apportionment of the costs of construction under rules adopted by the
13 department.

14 (8) "Machinery and equipment" means all industrial and research
15 fixtures, equipment, and support facilities that are an integral and
16 necessary part of a manufacturing or research and development
17 operation. "Qualified machinery and equipment" includes computers;
18 software; data processing equipment; laboratory equipment;
19 manufacturing components such as belts, pulleys, shafts, and moving
20 parts; molds, tools, and dies; operating structures; and all equipment
21 used to control or operate the machinery. For purposes of this
22 chapter, new machinery and equipment means either new to the taxing
23 jurisdiction of the state or new to the certificate holder. Used
24 machinery and equipment may be treated as new equipment and machinery
25 if the certificate holder either brings the machinery and equipment
26 into Washington or makes a retail purchase of the machinery and
27 equipment in Washington or elsewhere.

28 (9) "Qualified employment position" means a permanent full-time
29 employee employed in the eligible investment project during the entire
30 tax year.

31 (10) "Recipient" means a person receiving a tax deferral under this
32 chapter.

33 (11) "Certificate holder" means an applicant to whom a tax deferral
34 certificate has been issued.

35 (12) "Operationally complete" means constructed or improved to the
36 point of being functionally useable for the intended purpose.

37 (13) "Initiation of construction" means that date upon which on-
38 site construction commences.



1 NEW SECTION. **Sec. 11.** The following acts or parts of acts are
2 each repealed:

- 3 (1) RCW 82.61.020 and 1987 c 497 s 2 & 1985 ex.s. c 2 s 2; and
4 (2) RCW 82.61.040 and 1993 sp.s. c 25 s 408, 1988 c 41 s 2, 1986 c
5 116 s 10, & 1985 ex.s. c 2 s 8.

6 **Sec. 12.** RCW 82.63.010 and 1994 sp.s. c 5 s 3 are each amended to
7 read as follows:

8 Unless the context clearly requires otherwise, the definitions in
9 this section apply throughout this chapter.

10 (1) (~~("Advanced computing" means technologies used in the designing
11 and developing of computing hardware and software, including
12 innovations in designing the full spectrum of hardware from hand-held
13 calculators to super computers, and peripheral equipment.~~

14 ~~(2) "Advanced materials" means materials with engineered properties
15 created through the development of specialized processing and synthesis
16 technology, including ceramics, high value-added metals, electronic
17 materials, composites, polymers, and biomaterials.~~

18 ~~(3)) "Applicant" means a person applying for a tax deferral under
19 this chapter.~~

20 (~~(4) "Biotechnology" means the application of technologies, such
21 as recombinant DNA techniques, biochemistry, molecular and cellular
22 biology, genetics and genetic engineering, cell fusion techniques, and
23 new bioprocesses, using living organisms, or parts of organisms, to
24 produce or modify products, to improve plants or animals, to develop
25 microorganisms for specific uses, to identify targets for small
26 molecule pharmaceutical development, or to transform biological systems
27 into useful processes and products or to develop microorganisms for
28 specific uses.~~

29 ~~(5)) (2) "Department" means the department of revenue.~~

30 (~~(6) "Electronic device technology" means technologies involving
31 microelectronics; semiconductors; electronic equipment and
32 instrumentation; radio frequency, microwave, and millimeter
33 electronics; optical and optic-electrical devices; and data and digital
34 communications and imaging devices.~~

35 ~~(7)) (3) "Eligible investment project" means ((that portion of))
36 an investment project which either initiates a new operation, or
37 expands or diversifies a current operation by expanding, renovating, or
38 equipping an existing facility ((with costs in excess of twenty-five~~



1 percent of the true and fair value of the facility prior to
2 improvement)). The lessor or owner of the qualified building is not
3 eligible for a deferral unless the underlying ownership of the
4 buildings, machinery, and equipment vests exclusively in the same
5 person, or unless the lessor by written contract agrees to pass the
6 economic benefit of the deferral to the lessee in the form of reduced
7 rent payments.

8 ~~((8)) "Environmental technology" means assessment and prevention of~~
9 ~~threats or damage to human health or the environment, environmental~~
10 ~~cleanup, and the development of alternative energy sources.~~

11 ~~(9))~~ (4) "Investment project" means an investment in qualified
12 buildings or qualified machinery and equipment, including labor and
13 services rendered in the planning, installation, and construction or
14 improvement of the project.

15 ~~((10))~~ (5) "Person" has the meaning given in RCW 82.04.030.

16 ~~((11))~~ (6) "Pilot scale manufacturing" means design,
17 construction, and testing of preproduction prototypes and models ~~((in~~
18 ~~the fields of biotechnology, advanced computing, electronic device~~
19 ~~technology, advanced materials, and environmental technology))~~ other
20 than for commercial sale. As used in this subsection, "commercial
21 sale" excludes sales of prototypes or sales for market testing if the
22 total gross receipts from such sales of the product, service, or
23 process do not exceed one million dollars.

24 ~~((12))~~ (7) "Qualified buildings" means construction of new
25 structures, and expansion or renovation of existing structures for the
26 purpose of increasing floor space or production capacity used for pilot
27 scale manufacturing or ~~((qualified))~~ research and development,
28 including plant offices and other facilities that are an essential or
29 an integral part of a structure used for pilot scale manufacturing or
30 ~~((qualified))~~ research and development. If a building is used partly
31 for pilot scale manufacturing or ~~((qualified))~~ research and
32 development, and partly for other purposes, the applicable tax deferral
33 shall be determined by apportionment of the costs of construction under
34 rules adopted by the department.

35 ~~((13))~~ (8) "Qualified machinery and equipment" means fixtures,
36 equipment, and support facilities that are an integral and necessary
37 part of a pilot scale manufacturing or ~~((qualified))~~ research and
38 development operation. "Qualified machinery and equipment" includes:
39 Computers; software; data processing equipment; laboratory equipment,



1 instrumentation, and other devices used in a process of experimentation
2 to develop a new or improved pilot model, plant process, product,
3 formula, invention, or similar property; manufacturing components such
4 as belts, pulleys, shafts, and moving parts; molds, tools, and dies;
5 vats, tanks, and fermenters; operating structures; and all other
6 equipment used to control, monitor, or operate the machinery. For
7 purposes of this chapter, qualified machinery and equipment must be
8 either new to the taxing jurisdiction of the state or new to the
9 certificate holder, except that used machinery and equipment may be
10 treated as qualified machinery and equipment if the certificate holder
11 either brings the machinery and equipment into Washington or makes a
12 retail purchase of the machinery and equipment in Washington or
13 elsewhere.

14 ~~((14)) "Qualified research and development" means research and~~
15 ~~development performed within this state in the fields of advanced~~
16 ~~computing, advanced materials, biotechnology, electronic device~~
17 ~~technology, and environmental technology.~~

18 ~~(15))~~ (9) "Recipient" means a person receiving a tax deferral
19 under this chapter.

20 ~~((16))~~ (10) "Research and development" means activities performed
21 to discover technological information, and technical and nonroutine
22 activities concerned with translating technological information into
23 new or improved products, processes, techniques, formulas, inventions,
24 or software. The term includes exploration of a new use for an
25 existing drug, device, or biological product if the new use requires
26 separate licensing by the federal food and drug administration under
27 chapter 21, C.F.R., as amended. The term does not include adaptation
28 or duplication of existing products where the products are not
29 substantially improved by application of the technology, nor does the
30 term include surveys and studies, social science and humanities
31 research, market research or testing, quality control, sale promotion
32 and service, computer software developed for internal use, and research
33 in areas such as improved style, taste, and seasonal design.

34 NEW SECTION. **Sec. 13.** A new section is added to chapter 82.63 RCW
35 to read as follows:

36 (1) Except as provided in subsection (2) of this section, taxes
37 deferred under this chapter need not be repaid.



1 (2) If, on the basis of a report under RCW 82.63.020 or other
2 information, the department finds that an investment project is used
3 for purposes other than research and development or pilot scale
4 manufacturing at any time during the calendar year in which the
5 investment project is certified by the department as having been
6 operationally completed, or at any time during any of the seven
7 succeeding calendar years, a portion of deferred taxes shall be
8 immediately due according to the following schedule:

9	Year in which use occurs	% of deferred taxes due
10	1	100%
11	2	87.5%
12	3	75%
13	4	62.5%
14	5	50%
15	6	37.5%
16	7	25%
17	8	12.5%

18 The department shall assess interest at the rate provided for
19 delinquent taxes, but not penalties, retroactively to the date of
20 deferral.

21 (3) Notwithstanding subsection (2) of this section, deferred taxes
22 on the following need not be repaid:

23 (a) Machinery and equipment, and sales of or charges made for labor
24 and services, which at the time of purchase would have qualified for
25 exemption under section 3 of this act; and

26 (b) Machinery and equipment which at the time of first use would
27 have qualified for exemption under section 4 of this act.

28 NEW SECTION. **Sec. 14.** The following acts or parts of acts are
29 each repealed:

30 (1) RCW 82.63.040 and 1994 sp.s. c 5 s 6; and

31 (2) RCW 82.63.050 and 1994 sp.s. c 5 s 7.

32 NEW SECTION. **Sec. 15.** A new section is added to chapter 82.14 RCW
33 to read as follows:

34 (1) For purposes of this section "machinery and equipment
35 exemptions" means the sales and use tax exemptions for manufacturing
36 machinery and equipment provided in sections 3 and 4 of this act and



1 sales and use tax deferrals for manufacturing machinery and equipment
2 provided in chapters 82.60 and 82.63 RCW.

3 (2) A local government that imposes the sales and use tax under RCW
4 82.14.030 or 82.14.045 is eligible to receive payment from the state
5 treasurer, from amounts appropriated by the legislature for that
6 purpose, of an amount equal to the amount by which local sales and use
7 tax revenues lost by the local government as a result of machinery and
8 equipment exemptions exceeds five percent of local sales and use tax
9 collections by the local government during the period July 1, 1995,
10 through December 31, 1995, or any calendar year thereafter. If amounts
11 appropriated by the legislature are insufficient to pay the full amount
12 to which all local governments are eligible the payment to each
13 eligible local government shall be reduced in equal proportions.

14 (3) For purposes of subsection (2) of this section, local sales and
15 use tax collections by the local government shall be deemed to include
16 sales and use tax equalization funds distributed to the local
17 government pursuant to RCW 82.14.200 and 82.14.210. Fifty percent of
18 the sales and use tax equalization funds received by a local government
19 during calendar year 1995 shall be deemed to have been received during
20 the period July 1, 1995, through December 31, 1995, regardless of when
21 actually received.

22 (4) Upon application of a local government, the department shall
23 certify to the state treasurer the amount of payment for which the
24 local government is eligible and the state treasurer shall pay, from
25 amounts appropriated for that purpose, the amount to the treasurer of
26 the local government by March 1, 1996, for the period July 1, 1995,
27 through December 31, 1995, and by March 1 of each year thereafter for
28 the preceding calendar year.

29 (5) The department shall by rule establish application procedures
30 and methods for determining amounts for which local governments are
31 eligible under this section.

32 **Sec. 16.** RCW 82.04.4452 and 1994 sp.s. c 5 s 2 are each amended to
33 read as follows:

34 (1) In computing the tax imposed under this chapter, a credit is
35 allowed for each person whose research and development spending during
36 the year in which the credit is claimed exceeds 0.92 percent of the
37 person's taxable amount during the same calendar year.



1 (2) The credit is equal to the greater of the amount of qualified
2 research and development expenditures of a person or eighty percent of
3 amounts received by a person other than a public educational or
4 research institution in compensation for the conduct of qualified
5 research and development, multiplied by the rate of 0.515 percent in
6 the case of a nonprofit corporation or nonprofit association engaging
7 within this state in research and development, and 2.5 percent for
8 every other person.

9 (3) Any person entitled to the credit provided in subsection (2) of
10 this section as a result of qualified research and development
11 conducted under contract may assign all or any portion of the credit to
12 the person contracting for the performance of the qualified research
13 and development.

14 (4) The credit, including any credit assigned to a person under
15 subsection (3) of this section, shall be taken against taxes due for
16 the same calendar year in which the qualified research and development
17 expenditures are incurred. The credit, including any credit assigned
18 to a person under subsection (3) of this section, for each calendar
19 year shall not exceed the lesser of two million dollars or the amount
20 of tax otherwise due under this chapter for the calendar year.

21 (5) Any person taking the credit, including any credit assigned to
22 a person under subsection (3) of this section, whose research and
23 development spending during the calendar year in which the credit is
24 claimed fails to exceed 0.92 percent of the person's taxable amount
25 during the same calendar year shall be liable for payment of the
26 additional taxes represented by the amount of credit taken together
27 with interest, but not penalties. Interest shall be due at the rate
28 provided for delinquent excise taxes retroactively to the date the
29 credit was taken until the taxes are paid. Any credit assigned to a
30 person under subsection (3) of this section that is disallowed as a
31 result of this section may be taken by the person who performed the
32 qualified research and development subject to the limitations set forth
33 in subsection (4) of this section.

34 (6) Any person claiming the credit, and any person assigning a
35 credit as provided in subsection (3) of this section, shall file an
36 affidavit form prescribed by the department which shall include the
37 amount of the credit claimed, an estimate of the anticipated qualified
38 research and development expenditures during the calendar year for
39 which the credit is claimed, an estimate of the taxable amount during



1 the calendar year for which the credit is claimed, and such additional
2 information as the department may prescribe.

3 (7) A person claiming the credit shall agree to supply the
4 department with information necessary to measure the results of the tax
5 credit program for qualified research and development expenditures.

6 (8) The department shall use the information required under
7 subsection (7) of this section to perform three assessments on the tax
8 credit program authorized under this section. The assessments will
9 take place in 1997, 2000, and 2003. The department shall prepare
10 reports on each assessment and deliver their reports by September 1,
11 1997, September 1, 2000, and September 1, 2003. The assessments shall
12 measure the effect of the program on job creation, the number of jobs
13 created for Washington residents, company growth, the introduction of
14 new products, the diversification of the state's economy, growth in
15 research and development investment, the movement of firms or the
16 consolidation of firms' operations into the state, and such other
17 factors as the department selects.

18 (9) For the purpose of this section:

19 (a) "Advanced computing" means technologies used in the designing
20 and developing of computing hardware and software, including
21 innovations in designing the full spectrum of hardware from hand-held
22 calculators to super computers, and peripheral equipment.

23 (b) "Advanced materials" means materials with engineered properties
24 created through the development of specialized processing and synthesis
25 technology, including ceramics, high value-added metals, electronic
26 materials, composites, polymers, and biomaterials.

27 (c) "Biotechnology" means the application of technologies, such as
28 recombinant DNA techniques, biochemistry, molecular and cellular
29 biology, genetics and genetic engineering, cell fusion techniques, and
30 new bioprocesses, using living organisms, or parts of organisms, to
31 produce or modify products, to improve plants or animals, to develop
32 microorganisms for specific uses, to identify targets for small
33 molecule pharmaceutical development, or to transform biological systems
34 into useful processes and products or to develop microorganisms for
35 specific uses.

36 (d) "Electronic device technology" means technologies involving
37 microelectronics; semiconductors; electronic equipment and
38 instrumentation; radio frequency, microwave, and millimeter



1 electronics; optical and optic-electrical devices; and data and digital
2 communications and imaging devices.

3 (e) "Environmental technology" means assessment and prevention of
4 threats or damage to human health or the environment, environmental
5 cleanup, and the development of alternative energy sources.

6 (f) "Qualified research and development expenditures" means
7 operating expenses, including wages, compensation of a proprietor or a
8 partner in a partnership as determined under rules adopted by the
9 department, benefits, supplies, and computer expenses, directly
10 incurred in qualified research and development by a person claiming the
11 credit provided in this section. The term does not include amounts
12 paid to a person other than a public educational or research
13 institution to conduct qualified research and development. Nor does
14 the term include capital costs and overhead, such as expenses for land,
15 structures, or depreciable property.

16 ~~((b))~~ (g) "Qualified research and development" ~~((shall have the~~
17 same meaning as in RCW 82.63.010)) means research and development
18 performed within this state in the fields of advanced computing,
19 advanced materials, biotechnology, electronic device technology, and
20 environmental technology.

21 ~~((e))~~ (h) "Research and development spending" means qualified
22 research and development expenditures plus eighty percent of amounts
23 paid to a person other than a public educational or research
24 institution to conduct qualified research and development.

25 ~~((d))~~ (i) "Taxable amount" means the taxable amount subject to
26 the tax imposed in this chapter required to be reported on the person's
27 combined excise tax returns during the year in which the credit is
28 claimed, less any taxable amount for which a credit is allowed under
29 RCW 82.04.440.

30 (10) This section shall expire December 31, 2004.

31 NEW SECTION. Sec. 17. If specific funding for the purposes of
32 section 15 of this act, referencing that section by bill and section
33 number, is not provided by June 30, 1995, in the omnibus appropriations
34 act, section 15 of this act is null and void. The amount appropriated
35 for the purposes of section 15 of this act for the biennium ending June
36 30, 1997, shall not exceed two million dollars.



1 NEW SECTION. **Sec. 18.** The department of revenue shall perform an
2 assessment of the results of the tax exemption authorized under
3 sections 2 through 15 of this act and deliver a report to the governor
4 and the legislature by September 1, 1998. The assessment shall measure
5 the effect of the exemption on the creation of jobs, diversification of
6 the state's economy, and other factors the department may select.

7 NEW SECTION. **Sec. 19.** A new section is added to chapter 84.55 RCW
8 to read as follows:

9 STATE LEVY. The state levy for collection in 1996 shall not exceed
10 ninety percent of the amount that could be levied under the law as in
11 effect on January 1, 1995. Levies collected before 1996 shall not be
12 used as a base for calculating limits for state levies for collection
13 after 1996.

14 **Sec. 20.** RCW 82.04.255 and 1993 sp.s. c 25 s 202 are each amended
15 to read as follows:

16 Upon every person engaging within the state as a real estate
17 broker; as to such persons, the amount of the tax with respect to such
18 business shall be equal to the gross income of the business, multiplied
19 by the rate of ((2.0)) 1.75 percent.

20 The measure of the tax on real estate commissions earned by the
21 real estate broker shall be the gross commission earned by the
22 particular real estate brokerage office including that portion of the
23 commission paid to salesmen or associate brokers in the same office on
24 a particular transaction: PROVIDED, HOWEVER, That where a real estate
25 commission is divided between an originating brokerage office and a
26 cooperating brokerage office on a particular transaction, each
27 brokerage office shall pay the tax only upon their respective shares of
28 said commission: AND PROVIDED FURTHER, That where the brokerage office
29 has paid the tax as provided herein, salesmen or associate brokers
30 within the same brokerage office shall not be required to pay a similar
31 tax upon the same transaction.

32 **Sec. 21.** RCW 82.04.290 and 1993 sp.s. c 25 s 203 are each amended
33 to read as follows:

34 (1) Upon every person engaging within this state in the business of
35 providing selected business services other than or in addition to those
36 enumerated in RCW 82.04.250 or 82.04.270; as to such persons the amount



1 of tax on account of such activities shall be equal to the gross income
2 of the business multiplied by the rate of 2.5 percent.

3 (2) Upon every person engaging within this state in banking, loan,
4 security, investment management, investment advisory, or other
5 financial businesses; as to such persons, the amount of the tax with
6 respect to such business shall be equal to the gross income of the
7 business, multiplied by the rate of 1.70 percent.

8 (3) Upon every person engaging within this state in any business
9 activity other than or in addition to those enumerated in RCW
10 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
11 (~~and~~) 82.04.280, and section 60 of this act, and subsections (1) and
12 (2) of this section; as to such persons the amount of tax on account of
13 such activities shall be equal to the gross income of the business
14 multiplied by the rate of 2.0 percent.

15 This section includes, among others, and without limiting the scope
16 hereof (whether or not title to materials used in the performance of
17 such business passes to another by accession, confusion or other than
18 by outright sale), persons engaged in the business of rendering any
19 type of service which does not constitute a "sale at retail" or a "sale
20 at wholesale." The value of advertising, demonstration, and
21 promotional supplies and materials furnished to an agent by his
22 principal or supplier to be used for informational, educational and
23 promotional purposes shall not be considered a part of the agent's
24 remuneration or commission and shall not be subject to taxation under
25 this section.

26 **Sec. 22.** RCW 82.04.290 and 1995 c ... s 21 (section 21 of this
27 act) are each amended to read as follows:

28 (1) Upon every person engaging within this state in the business of
29 providing selected business services other than or in addition to those
30 enumerated in RCW 82.04.250 or 82.04.270; as to such persons the amount
31 of tax on account of such activities shall be equal to the gross income
32 of the business multiplied by the rate of (~~2.5~~) 2.0 percent.

33 (2) Upon every person engaging within this state in banking, loan,
34 security, investment management, investment advisory, or other
35 financial businesses, other than or in addition to those enumerated in
36 subsection (3) of this section; as to such persons, the amount of the
37 tax with respect to such business shall be equal to the gross income of
38 the business, multiplied by the rate of (~~1.70~~) 1.6 percent.



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

6 (4) Upon every person engaging within this state in any business
7 activity other than or in addition to those enumerated in RCW
8 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
9 82.04.280, and section 60 of this act, and subsections (1) (~~and~~),
10 (2), and (3) of this section; as to such persons the amount of tax on
11 account of such activities shall be equal to the gross income of the
12 business multiplied by the rate of (~~2.0~~) 1.75 percent.

13 This section includes, among others, and without limiting the scope
14 hereof (whether or not title to materials used in the performance of
15 such business passes to another by accession, confusion or other than
16 by outright sale), persons engaged in the business of rendering any
17 type of service which does not constitute a "sale at retail" or a "sale
18 at wholesale." The value of advertising, demonstration, and
19 promotional supplies and materials furnished to an agent by his
20 principal or supplier to be used for informational, educational and
21 promotional purposes shall not be considered a part of the agent's
22 remuneration or commission and shall not be subject to taxation under
23 this section.

24 **Sec. 23.** RCW 82.04.255 and 1995 c . . . s 20 (section 20 of this
25 act) are each amended to read as follows:

26 Upon every person engaging within the state as a real estate
27 broker; as to such persons, the amount of the tax with respect to such
28 business shall be equal to the gross income of the business, multiplied
29 by the rate of (~~1.75~~) 1.5 percent.

30 The measure of the tax on real estate commissions earned by the
31 real estate broker shall be the gross commission earned by the
32 particular real estate brokerage office including that portion of the
33 commission paid to salesmen or associate brokers in the same office on
34 a particular transaction: PROVIDED, HOWEVER, That where a real estate
35 commission is divided between an originating brokerage office and a
36 cooperating brokerage office on a particular transaction, each
37 brokerage office shall pay the tax only upon their respective shares of
38 said commission: AND PROVIDED FURTHER, That where the brokerage office



1 has paid the tax as provided herein, salesmen or associate brokers
2 within the same brokerage office shall not be required to pay a similar
3 tax upon the same transaction.

4 **Sec. 24.** RCW 82.04.290 and 1995 c . . . s 22 (section 22 of this
5 act) are each amended to read as follows:

6 (1) Upon every person engaging within this state in the business of
7 providing selected business services other than or in addition to those
8 enumerated in RCW 82.04.250 or 82.04.270; as to such persons the amount
9 of tax on account of such activities shall be equal to the gross income
10 of the business multiplied by the rate of (~~(2.0)~~) 1.5 percent.

11 (2) Upon every person engaging within this state in banking, loan,
12 security, investment management, investment advisory, or other
13 financial businesses, other than or in addition to those enumerated in
14 subsection (3) of this section; as to such persons, the amount of the
15 tax with respect to such business shall be equal to the gross income of
16 the business, multiplied by the rate of (~~(1.6)~~) 1.5 percent.

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

22 (4) Upon every person engaging within this state in any business
23 activity other than or in addition to those enumerated in RCW
24 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
25 82.04.280, and section 60 of this act, and subsections (1), (2), and
26 (3) of this section; as to such persons the amount of tax on account of
27 such activities shall be equal to the gross income of the business
28 multiplied by the rate of (~~(1.75)~~) 1.5 percent.

29 This section includes, among others, and without limiting the scope
30 hereof (whether or not title to materials used in the performance of
31 such business passes to another by accession, confusion or other than
32 by outright sale), persons engaged in the business of rendering any
33 type of service which does not constitute a "sale at retail" or a "sale
34 at wholesale." The value of advertising, demonstration, and
35 promotional supplies and materials furnished to an agent by his
36 principal or supplier to be used for informational, educational and
37 promotional purposes shall not be considered a part of the agent's



1 remuneration or commission and shall not be subject to taxation under
2 this section.

3 NEW SECTION. **Sec. 25.** RCW 82.04.2201 and 1994 sp.s. c 10 s 1 &
4 1993 sp.s. c 25 s 204 are each repealed.

5 NEW SECTION. **Sec. 26.** The repeal in section 25 of this act shall
6 not be construed as affecting any existing right acquired or liability
7 or obligation incurred under the statute repealed or under any rule or
8 order adopted pursuant to that statute; nor as affecting any proceeding
9 instituted under it.

10 **Sec. 27.** RCW 82.04.260 and 1993 sp.s. c 25 s 104 are each amended
11 to read as follows:

12 (1) Upon every person engaging within this state in the business of
13 buying wheat, oats, dry peas, dry beans, lentils, triticale, canola,
14 corn, rye and barley, but not including any manufactured or processed
15 products thereof, and selling the same at wholesale; the tax imposed
16 shall be equal to the gross proceeds derived from such sales multiplied
17 by the rate of 0.011 percent.

18 (2) Upon every person engaging within this state in the business of
19 manufacturing wheat into flour, barley into pearl barley, soybeans into
20 soybean oil, processing canola into canola oil, or sunflower seeds into
21 sunflower oil; as to such persons the amount of tax with respect to
22 such business shall be equal to the value of the flour, pearl barley,
23 or oil manufactured, multiplied by the rate of 0.138 percent.

24 (3) Upon every person engaging within this state in the business of
25 splitting or processing dried peas; as to such persons the amount of
26 tax with respect to such business shall be equal to the value of the
27 peas split or processed, multiplied by the rate of 0.275 percent.

28 (4) Upon every person engaging within this state in the business of
29 manufacturing seafood products which remain in a raw, raw frozen, or
30 raw salted state at the completion of the manufacturing by that person;
31 as to such persons the amount of tax with respect to such business
32 shall be equal to the value of the products manufactured, multiplied by
33 the rate of 0.138 percent.

34 (5) Upon every person engaging within this state in the business of
35 manufacturing by canning, preserving, freezing or dehydrating fresh
36 fruits and vegetables; as to such persons the amount of tax with



1 respect to such business shall be equal to the value of the products
2 canned, preserved, frozen or dehydrated multiplied by the rate of 0.33
3 percent.

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

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

14 (8) Upon every person engaging within this state in the business of
15 making sales, at retail or wholesale, of nuclear fuel assemblies
16 manufactured by that person, as to such persons the amount of tax with
17 respect to such business shall be equal to the gross proceeds of sales
18 of the assemblies multiplied by the rate of 0.275 percent.

19 (9) Upon every person engaging within this state in the business of
20 manufacturing nuclear fuel assemblies, as to such persons the amount of
21 tax with respect to such business shall be equal to the value of the
22 products manufactured multiplied by the rate of 0.275 percent.

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

27 (11) Upon every person engaging within this state in business as an
28 international steamship agent, international customs house broker,
29 international freight forwarder, vessel and/or cargo charter broker in
30 foreign commerce, and/or international air cargo agent; as to such
31 persons the amount of the tax with respect to only international
32 activities shall be equal to the gross income derived from such
33 activities multiplied by the rate of 0.363 percent.

34 (12) Upon every person engaging within this state in the business
35 of stevedoring and associated activities pertinent to the movement of
36 goods and commodities in waterborne interstate or foreign commerce; as
37 to such persons the amount of tax with respect to such business shall
38 be equal to the gross proceeds derived from such activities multiplied
39 by the rate of 0.363 percent. Persons subject to taxation under this



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

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

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

34 (14) Upon every person engaging within this state as an insurance
35 agent, insurance broker, or insurance solicitor licensed under chapter
36 48.17 RCW; as to such persons, the amount of the tax with respect to
37 such licensed activities shall be equal to the gross income of such
38 business multiplied by the rate of (~~1.1~~) 0.55 percent. However, if
39 the insurer has paid the tax as provided under this chapter for a



1 transaction, the insurance agent, insurance broker, or insurance
2 solicitor licensed under chapter 48.17 RCW shall not be required to pay
3 a similar tax upon the same gross income for the same transaction.

4 (15) Upon every person engaging within this state in business as a
5 hospital, as defined in chapter 70.41 RCW, that is operated as a
6 nonprofit corporation or by the state or any of its political
7 subdivisions, as to such persons, the amount of tax with respect to
8 such activities shall be equal to the gross income of the business
9 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
10 percent thereafter. The moneys collected under this subsection shall
11 be deposited in the health services account created under RCW
12 43.72.900.

13 **Sec. 28.** RCW 84.33.035 and 1986 c 315 s 1 are each amended to read
14 as follows:

15 Unless the context clearly requires otherwise, the definitions in
16 this section apply throughout this chapter.

17 (1) "Agricultural methods" means the cultivation of trees that are
18 grown on land prepared by intensive cultivation and tilling, such as
19 irrigating, plowing, or turning over the soil, and on which all
20 unwanted plant growth is controlled continuously for the exclusive
21 purpose of raising trees such as Christmas trees and short-rotation
22 hardwoods.

23 (2) "Composite property tax rate" for a county means the total
24 amount of property taxes levied upon forest lands by all taxing
25 districts in the county other than the state, divided by the total
26 assessed value of all forest land in the county.

27 ((+2)) (3) "Forest land" means forest land which is classified or
28 designated forest land under this chapter.

29 ((+3)) (4) "Harvested" means the time when in the ordinary course
30 of business the quantity of timber by species is first definitely
31 determined. The amount harvested shall be determined by the Scribner
32 Decimal C Scale or other prevalent measuring practice adjusted to
33 arrive at substantially equivalent measurements, as approved by the
34 department of revenue.

35 ((+4)) (5) "Harvester" means every person who from the person's
36 own land or from the land of another under a right or license granted
37 by lease or contract, either directly or by contracting with others for
38 the necessary labor or mechanical services, fells, cuts, or takes



1 timber for sale or for commercial or industrial use: PROVIDED, That
2 whenever the United States or any instrumentality thereof, the state,
3 including its departments and institutions and political subdivisions,
4 or any municipal corporation therein so fells, cuts, or takes timber
5 for sale or for commercial or industrial use, the harvester is the
6 first person other than the United States or any instrumentality
7 thereof, the state, including its departments and institutions and
8 political subdivisions, or any municipal corporation therein, who
9 acquires title to or a possessory interest in such timber. The term
10 "harvester" does not include persons performing under contract the
11 necessary labor or mechanical services for a harvester.

12 ~~((+5))~~ (6) "Short-rotation hardwoods" means hardwood trees, such
13 as but not limited to hybrid cottonwoods, cultivated by agricultural
14 methods in growing cycles shorter than ten years.

15 (7) "Stumpage value of timber" means the appropriate stumpage value
16 shown on tables prepared by the department of revenue under RCW
17 84.33.091, provided that for timber harvested from public land and sold
18 under a competitive bidding process, stumpage value shall mean that
19 actual amount paid to the seller in cash or other consideration.
20 Whenever payment for the stumpage includes considerations other than
21 cash, the value shall be the fair market value of the other
22 consideration, provided that if the other consideration is permanent
23 roads, the value of the roads shall be the appraised value as appraised
24 by the seller.

25 ~~((+6))~~ (8) "Timber" means forest trees, standing or down, on
26 privately or publicly owned land, and except as provided in RCW
27 84.33.170 includes Christmas trees and short-rotation hardwoods.

28 ~~((+7))~~ (9) "Timber assessed value" for a county means a value,
29 calculated by the department of revenue before October 1 of each year,
30 equal to the total stumpage value of timber harvested from privately
31 owned land in the county during the most recent four calendar quarters
32 for which the information is available multiplied by a ratio. The
33 numerator of the ratio is the rate of tax imposed by the county under
34 RCW 84.33.051 for the year of the calculation. The denominator of the
35 ratio is the composite property tax rate for the county for taxes due
36 in the year of the calculation, expressed as a percentage of assessed
37 value.

38 ~~((+8))~~ (10) "Timber assessed value" for a taxing district means
39 the timber assessed value for the county multiplied by a ratio. The



1 numerator of the ratio is the total assessed value of forest land in
2 the taxing district. The denominator is the total assessed value of
3 forest land in the county. As used in this section, "assessed value of
4 forest land" means the assessed value of forest land for taxes due in
5 the year the timber assessed value for the county is calculated.

6 **Sec. 29.** RCW 84.33.170 and 1984 c 204 s 24 are each amended to
7 read as follows:

8 Notwithstanding any provision of this chapter to the contrary, this
9 chapter shall not exempt from the ad valorem tax nor subject to the
10 excise tax imposed by this chapter, Christmas trees (~~((which are grown
11 on land which has been prepared by intensive cultivation and tilling,
12 such as by plowing or turning over the soil, and on which all unwanted
13 plant growth is controlled continuously for the exclusive purpose of
14 raising such Christmas trees))~~ and short-rotation hardwoods, which are
15 cultivated by agricultural methods, and such land on which such
16 Christmas trees and short-rotation hardwoods stand shall not be taxed
17 as provided in RCW 84.33.100 through 84.33.140. However, short-
18 rotation hardwoods, which are cultivated by agricultural methods, on
19 land classified as timber land under chapter 84.34 RCW, shall be
20 subject to the excise tax imposed under this chapter.

21 **Sec. 30.** RCW 83.100.070 and 1988 c 64 s 8 are each amended to read
22 as follows:

23 (1) Any tax due under this chapter which is not paid by the due
24 date under RCW 83.100.060(1) shall bear interest at the rate of twelve
25 percent per annum from the date the tax is due until paid.

26 (2) If the Washington return is not filed when due under RCW
27 83.100.050, then the person required to file the federal return shall
28 pay, in addition to interest, a penalty equal to five percent of the
29 tax due for each month after the date the return is due until filed.
30 No penalty may exceed twenty-five percent of the tax due or ten
31 thousand dollars, whichever amount is lower. If the department finds
32 that a return due under this chapter has not been filed by the due
33 date, and the delinquency was the result of circumstances beyond the
34 control of the person required to file the federal return, the
35 department shall waive or cancel any penalties imposed under this
36 chapter with respect to the filing of such a tax return. The



1 department shall prescribe rules for the waiver or cancellation of the
2 penalties imposed by this section.

3 **Sec. 31.** RCW 82.27.030 and 1985 c 413 s 3 are each amended to read
4 as follows:

5 The tax imposed by RCW 82.27.020 shall not apply to: (1) Enhanced
6 food fish originating outside the state which enters the state as (a)
7 frozen enhanced food fish or (b) enhanced food fish packaged for retail
8 sales; (2) the growing, processing, or dealing with food fish or
9 shellfish which are raised from eggs (~~(or)~~), fry, or larvae and which
10 are under the physical control of the grower at all times until being
11 sold or harvested; and (3) food fish, shellfish, anadromous game fish,
12 and byproducts or parts of food fish shipped from outside the state
13 which enter the state, except as provided in RCW 82.27.010, provided
14 the taxpayer must have documentation showing shipping origination of
15 fish exempt under this subsection to qualify for exemption. Such
16 documentation includes, but is not limited to fish tickets, bills of
17 lading, invoices, or other documentation required to be kept by
18 governmental agencies.

19 **Sec. 32.** RCW 82.04.365 and 1979 ex.s. c 196 s 7 are each amended
20 to read as follows:

21 BAZAARS, RUMMAGE SALES, MEALS, AND LIBRARY SALES--BUSINESS AND
22 OCCUPATION TAX EXEMPTION. (1) This chapter does not apply to (~~amounts~~
23 ~~derived~~) the first thirty-five thousand dollars received in a calendar
24 year by a nonprofit organization as a result of conducting or
25 participating in a bazaar or rummage sale if:

26 (a) The organization does not conduct or participate in more than
27 (~~two~~) twelve bazaars or rummage sales per year; and

28 (b) Each bazaar or rummage sale does not extend over a period of
29 more than (~~two~~) five days(~~and~~

30 ~~(c) The gross income received by each organization from each bazaar~~
31 ~~or rummage sale does not exceed one thousand dollars~~)).

32 (2) This chapter does not apply to the first fifty thousand dollars
33 received in a calendar year by a nonprofit organization as a result of
34 meal-serving events for fund-raising purposes, if:

35 (a) Each meal-serving event occurs no more than one day every two
36 weeks; or



1 (b) Each meal-serving event does not extend over a period of more
2 than five days and is held no more frequently than three times per
3 year.

4 (3) This chapter does not apply to the first thirty-five thousand
5 dollars received in a calendar year by a nonprofit organization from
6 sales of used books, used videos, used sound recordings, or similar
7 used information products, if substantially all of the net proceeds
8 from the sales are used to support a library as defined in RCW
9 27.12.010.

10 (4) For purposes of this section, "nonprofit organization" means an
11 organization that meets all of the following criteria:

12 (a) The members, stockholders, officers, directors, or trustees of
13 the organization do not receive any part of the organization's gross
14 income, except as payment for services rendered;

15 (b) The compensation received by any person for services rendered
16 to the organization does not exceed an amount reasonable under the
17 circumstances; and

18 (c) The activities of the organization do not include a substantial
19 amount of political activity, including but not limited to influencing
20 legislation and participation in any campaign on behalf of any
21 candidate for political office.

22 **NEW SECTION. Sec. 33.** A new section is added to chapter 82.08 RCW
23 to read as follows:

24 BAZAARS, RUMMAGE SALES, MEALS, AND LIBRARY SALES--SALES TAX
25 EXEMPTION. The tax levied by RCW 82.08.020 does not apply to a sale
26 made by a nonprofit organization if the gross income from the sale is
27 exempt under RCW 82.04.365.

28 **Sec. 34.** RCW 82.04.366 and 1991 c 51 s 1 are each amended to read
29 as follows:

30 AUCTIONS--BUSINESS AND OCCUPATION TAX EXEMPTION. (1) This chapter
31 does not apply to amounts received by a public benefit nonprofit
32 organization from sales at an auction that the organization conducts or
33 participates in, if:

34 (a) The organization does not conduct or participate in more than
35 ~~((one))~~ two auctions per year; and

36 (b) The auction does not extend over a period of more than ~~((two))~~
37 five days.



1 (2) As used in this section, "public benefit nonprofit
2 organization" means an organization exempt from tax under section
3 501(c)(3) of the federal internal revenue code, as in effect on January
4 1, 1991, or a subsequent date provided by the director by rule
5 consistent with the purpose of this section.

6 **Sec. 35.** RCW 82.08.02571 and 1991 c 51 s 2 are each amended to
7 read as follows:

8 AUCTIONS--SALES TAX EXEMPTION. (1) The tax levied by RCW 82.08.020
9 does not apply to sales made by a public benefit nonprofit organization
10 at an auction that the organization conducts or participates in, if:

11 (a) The organization does not conduct or participate in more than
12 (~~one~~) two auctions per year; and

13 (b) The auction does not extend over a period of more than (~~two~~)
14 five days.

15 (2) As used in this section, "public benefit nonprofit
16 organization" means an organization exempt from tax under section
17 501(c)(3) of the federal internal revenue code, as in effect on January
18 1, 1991, or a subsequent date provided by the director by rule
19 consistent with the purpose of this section.

20 **Sec. 36.** RCW 9.41.070 and 1994 sp.s. c 7 s 407 and 1994 c 190 s 2
21 are each reenacted and amended to read as follows:

22 (1) The judge of a court of record, the chief of police of a
23 municipality, or the sheriff of a county, shall within thirty days
24 after the filing of an application of any person issue a license to
25 such person to carry a pistol concealed on his or her person within
26 this state for four years from date of issue, for the purposes of
27 protection or while engaged in business, sport, or while traveling.
28 However, if the applicant does not have a valid permanent Washington
29 driver's license or Washington state identification card or has not
30 been a resident of the state for the previous consecutive ninety days,
31 the issuing authority shall have up to sixty days after the filing of
32 the application to issue a license. The issuing authority shall not
33 refuse to accept completed applications for concealed pistol licenses
34 during regular business hours.

35 The applicant's constitutional right to bear arms shall not be
36 denied, unless he or she:



1 (a) Is ineligible to possess a firearm under the provisions of RCW
2 9.41.040;

3 (b) Is under twenty-one years of age;

4 (c) Is subject to a court order or injunction regarding firearms
5 pursuant to RCW 9A.46.080, 10.14.080, 10.99.040, 10.99.045, 26.09.050,
6 26.09.060, 26.10.040, 26.10.115, 26.26.130, 26.26.137, 26.50.060, or
7 26.50.070;

8 (d) Is free on bond or personal recognizance pending trial, appeal,
9 or sentencing for a serious offense;

10 (e) Has an outstanding warrant for his or her arrest from any court
11 of competent jurisdiction for a felony or misdemeanor;

12 (f) Has been ordered to forfeit a firearm under RCW
13 9.41.098(1)((~~d~~)) (e) within one year before filing an application to
14 carry a pistol concealed on his or her person; or

15 (g)(i) Has been convicted of any crime against a child or other
16 person listed in RCW 43.43.830(5).

17 (ii) Except as provided in (g)(iii) of this subsection, any person
18 who becomes ineligible for a concealed pistol license as a result of a
19 conviction for a crime listed in (g)(i) of this subsection and then
20 successfully completes all terms of his or her sentence, as evidenced
21 by a certificate of discharge issued under RCW 9.94A.220 in the case of
22 a sentence under chapter 9.94A RCW, and has not again been convicted of
23 any crime and is not under indictment for any crime, may, one year or
24 longer after such successful sentence completion, petition a court of
25 record for a declaration that the person is no longer ineligible for a
26 concealed pistol license under (g)(i) of this subsection.

27 (iii) No person convicted of a serious offense as defined in RCW
28 9.41.010 may have his or her right to possess firearms restored, unless
29 the person has been granted relief from disabilities by the secretary
30 of the treasury under 18 U.S.C. Sec. 925(c), or RCW 9.41.040 (3) or (4)
31 applies.

32 (2) The issuing authority shall check with the national crime
33 information center, the Washington state patrol electronic data base,
34 the department of social and health services electronic data base, and
35 with other agencies or resources as appropriate, to determine whether
36 the applicant is ineligible under RCW 9.41.040 to possess a pistol and
37 therefore ineligible for a concealed pistol license. This subsection
38 applies whether the applicant is applying for a new concealed pistol
39 license or to renew a concealed pistol license.



1 (3) Any person whose firearms rights have been restricted and who
2 has been granted relief from disabilities by the secretary of the
3 treasury under 18 U.S.C. Sec. 925(c) or who is exempt under 18 U.S.C.
4 Sec. 921(a)(20)(A) shall have his or her right to acquire, receive,
5 transfer, ship, transport, carry, and possess firearms in accordance
6 with Washington state law restored except as otherwise prohibited by
7 this chapter.

8 (4) The license application shall be in triplicate, in form to be
9 prescribed by the department of licensing, and shall bear the full
10 name, street address, date and place of birth, race, gender,
11 description, fingerprints, and signature of the licensee, and the
12 licensee's driver's license number or state identification card number
13 if used for identification in applying for the license. A signed
14 application for a concealed pistol license shall constitute a waiver of
15 confidentiality and written request that the department of social and
16 health services, mental health institutions, and other health care
17 facilities release information relevant to the applicant's eligibility
18 for a concealed pistol license to an inquiring court or law enforcement
19 agency.

20 The license application shall contain a warning substantially as
21 follows:

22 CAUTION: Although state and local laws do not differ, federal
23 law and state law on the possession of firearms differ. If you
24 are prohibited by federal law from possessing a firearm, you
25 may be prosecuted in federal court. A state license is not a
26 defense to a federal prosecution.

27 The license application shall contain a description of the major
28 differences between state and federal law and an explanation of the
29 fact that local laws and ordinances on firearms are preempted by state
30 law and must be consistent with state law. The application shall
31 contain questions about the applicant's eligibility under RCW 9.41.040
32 to possess a pistol, the applicant's place of birth, whether the
33 applicant is a United States citizen, and whether he or she has been
34 required to register with the state or federal government and has an
35 identification or registration number. The applicant shall not be
36 required to produce a birth certificate or other evidence of
37 citizenship. A person who is not a citizen of the United States shall
38 meet the additional requirements of RCW 9.41.170.



1 The original thereof shall be delivered to the licensee, the
2 duplicate shall within seven days be sent by registered mail to the
3 director of licensing and the triplicate shall be preserved for six
4 years, by the authority issuing the license.

5 The department of licensing shall make available to law enforcement
6 and corrections agencies, in an on-line format, all information
7 received under this subsection.

8 (5) The fee for the original issuance of a four-year license shall
9 be (~~fifty~~) twenty-five dollars. No other branch or unit of state or
10 local government may impose any additional charges on the applicant for
11 the issuance of the license. Any fee charged by the federal government
12 for processing of fingerprint applications may be passed on to the
13 applicant.

14 The fee shall be distributed as follows:

15 (a) (~~Fifteen~~) Four dollars shall be paid to the state general
16 fund;

17 (b) (~~Ten~~) Four dollars shall be paid to the agency taking the
18 fingerprints of the person licensed;

19 (c) (~~Fifteen~~) Fourteen dollars shall be paid to the issuing
20 authority for the purpose of enforcing this chapter; and

21 (d) (~~Ten~~) Three dollars to the firearms range account in the
22 general fund.

23 (6) The fee for the renewal of such license shall be (~~fifty~~)
24 fifteen dollars. No other branch or unit of state or local government
25 may impose any additional charges on the applicant for the renewal of
26 the license. Any fee charged by the federal government for processing
27 of fingerprint applications may be passed on to the applicant.

28 The renewal fee shall be distributed as follows:

29 (a) (~~Twenty~~) Four dollars shall be paid to the state general
30 fund;

31 (b) (~~Twenty~~) Eight dollars shall be paid to the issuing authority
32 for the purpose of enforcing this chapter; and

33 (c) (~~Ten~~) Three dollars to the firearms range account in the
34 general fund.

35 (7) Payment shall be by cash, check, or money order at the option
36 of the applicant. Additional methods of payment may be allowed at the
37 option of the issuing authority.

38 (8) A licensee may renew a license if the licensee applies for
39 renewal within ninety days before or after the expiration date of the



1 license. A license so renewed shall take effect on the expiration date
2 of the prior license. A licensee renewing after the expiration date of
3 the license must pay a late renewal penalty of (~~twenty~~) ten dollars
4 in addition to the renewal fee specified in subsection (6) of this
5 section. The fee shall be distributed as follows:

6 (a) (~~Ten~~) Three dollars shall be deposited in the state wildlife
7 fund and used exclusively for the printing and distribution of a
8 pamphlet on the legal limits of the use of firearms, firearms safety,
9 and the preemptive nature of state law. The pamphlet shall be given to
10 each applicant for a license; and

11 (b) (~~Ten~~) Seven dollars shall be paid to the issuing authority
12 for the purpose of enforcing this chapter.

13 (9) Notwithstanding the requirements of subsections (1) through (8)
14 of this section, the chief of police of the municipality or the sheriff
15 of the county of the applicant's residence may issue a temporary
16 emergency license for good cause pending review under subsection (1) of
17 this section.

18 (10) A political subdivision of the state shall not modify the
19 requirements of this section or chapter, nor may a political
20 subdivision ask the applicant to voluntarily submit any information not
21 required by this section.

22 (11) A person who knowingly makes a false statement regarding
23 citizenship or identity on an application for a concealed pistol
24 license is guilty of false swearing under RCW 9A.72.040. In addition
25 to any other penalty provided for by law, the concealed pistol license
26 of a person who knowingly makes a false statement shall be revoked, and
27 the person shall be permanently ineligible for a concealed pistol
28 license.

29 (12) A person may apply for a concealed pistol license:

30 (a) To the municipality or to the county in which the applicant
31 resides if the applicant resides in a municipality;

32 (b) To the county in which the applicant resides if the applicant
33 resides in an unincorporated area; or

34 (c) Anywhere in the state if the applicant is a nonresident.

35 **Sec. 37.** RCW 82.08.050 and 1993 sp.s. c 25 s 704 are each amended
36 to read as follows:

37 (1)(a) The tax hereby imposed shall be paid by the buyer to the
38 seller, and each seller shall collect from the buyer the full amount of



1 the tax payable in respect to each taxable sale in accordance with the
2 schedule of collections adopted by the department pursuant to the
3 provisions of RCW 82.08.060. The tax required by this chapter, to be
4 collected by the seller, minus the amount retained by the seller for
5 administration as provided in subsection (2) of this section, shall be
6 deemed to be held in trust by the seller until paid to the department,
7 and any seller who appropriates or converts the tax collected to his or
8 her own use or to any use other than the payment of the tax to the
9 extent that the money required to be collected is not available for
10 payment on the due date as prescribed in this chapter shall be guilty
11 of a gross misdemeanor.

12 (b) In case any seller fails to collect the tax herein imposed or
13 having collected the tax, fails to pay (~~it~~) the amount owed to the
14 department in the manner prescribed by this chapter, whether such
15 failure is the result of his or her own acts or the result of acts or
16 conditions beyond his or her control, he or she shall, nevertheless, be
17 personally liable to the state for the amount of the tax owed, unless
18 the seller has taken from the buyer in good faith a properly executed
19 resale certificate under RCW 82.04.470.

20 (c) The amount of tax, until paid by the buyer to the seller or to
21 the department, shall constitute a debt from the buyer to the seller
22 and any seller who fails or refuses to collect the tax as required with
23 intent to violate the provisions of this chapter or to gain some
24 advantage or benefit, either direct or indirect, and any buyer who
25 refuses to pay any tax due under this chapter shall be guilty of a
26 misdemeanor. The tax required by this chapter to be collected by the
27 seller shall be stated separately from the selling price in any sales
28 invoice or other instrument of sale. On all retail sales through
29 vending machines, the tax need not be stated separately from the
30 selling price or collected separately from the buyer. For purposes of
31 determining the tax due from the buyer to the seller and from the
32 seller to the department it shall be conclusively presumed that the
33 selling price quoted in any price list, sales document, contract or
34 other agreement between the parties does not include the tax imposed by
35 this chapter, but if the seller advertises the price as including the
36 tax or that the seller is paying the tax, the advertised price shall
37 not be considered the selling price.

38 (d) Where a buyer has failed to pay to the seller the tax imposed
39 by this chapter and the seller has not paid the amount of the tax owed



1 to the department, the department may, in its discretion, proceed
2 directly against the buyer for collection of the tax, in which case a
3 penalty of ten percent may be added to the amount of the tax for
4 failure of the buyer to pay the same to the seller, regardless of when
5 the tax may be collected by the department; and all of the provisions
6 of chapter 82.32 RCW, including those relative to interest and
7 penalties, shall apply in addition; and, for the sole purpose of
8 applying the various provisions of chapter 82.32 RCW, the twenty-fifth
9 day of the month following the tax period in which the purchase was
10 made shall be considered as the due date of the tax.

11 (2) Each seller shall retain each reporting period .30 percent of
12 the tax collected under this section as reimbursement for the costs
13 associated with collection and administration of the tax.

14 **NEW SECTION. Sec. 38.** A new section is added to chapter 82.08 RCW
15 to read as follows:

16 The tax levied by RCW 82.08.020 shall not apply to the sales and
17 distribution of magazines or periodicals by subscription for the
18 purposes of fund-raising by (1) educational institutions as defined in
19 RCW 82.04.170, or (2) nonprofit organizations engaged in activities
20 primarily for the benefit of boys and girls nineteen years and younger.

21 **NEW SECTION. Sec. 39.** A new section is added to chapter 82.04 RCW
22 to read as follows:

23 In computing tax there may be deducted from the measure of tax
24 amounts paid by the owner of an amusement device, as defined in RCW
25 66.44.316, to the person upon whose premises the device is operated, if
26 the amounts are paid at the time they are collected from the amusement
27 device.

28 **Sec. 40.** RCW 82.62.030 and 1986 c 116 s 17 are each amended to
29 read as follows:

30 (1) A person shall be allowed a credit against the tax due under
31 chapter 82.04 RCW (~~of an amount equal to~~) as provided in this
32 section. For an application approved before January 1, 1996, the
33 credit shall equal one thousand dollars for each qualified employment
34 position directly created in an eligible business project. For an
35 application approved on or after January 1, 1996, the credit shall



1 equal two thousand dollars for each qualified employment position
2 directly created in an eligible business project.

3 (2) The department shall keep a running total of all credits
4 granted under this chapter during each fiscal biennium. The department
5 shall not allow any credits which would cause the tabulation for a
6 biennium to exceed fifteen million dollars. If all or part of an
7 application for credit is disallowed under this subsection, the
8 disallowed portion shall be carried over for approval the next
9 biennium. However, the applicant's carryover into the next biennium is
10 only permitted if the tabulation for the next biennium does not exceed
11 fifteen million dollars as of the date on which the department has
12 disallowed the application.

13 (3) No recipient is eligible for tax credits in excess of three
14 hundred thousand dollars.

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

17 (5) No recipient may receive a tax credit on taxes which have not
18 been paid during the taxable year.

19 NEW SECTION. Sec. 41. A new section is added to chapter 82.04 RCW
20 to read as follows:

21 (1) There may be credited against the tax imposed by this chapter,
22 the value of state-approved, employer-provided or sponsored job
23 training services designed to enhance the job-related performance of
24 employees, for those businesses eligible for a tax deferral under
25 chapter 82.60 RCW.

26 (2) The value of the state-approved, job training services provided
27 by the employer to the employee, without charge, shall be determined by
28 the allocation of the cost method using generally accepted accounting
29 standards.

30 (3) The credit allowed under this section shall be limited to an
31 amount equal to twenty percent of the value of the state-approved, job
32 training services determined under subsection (2) of this section. The
33 total credits allowed under this section for a business shall not
34 exceed five thousand dollars per calendar year.

35 (4) Prior to claiming the credit under this section, the business
36 must obtain approval of the proposed job training service from the
37 employment security department. The employer's request for approval
38 must include a description of the proposed job training service, how



1 the job training will enhance the employee's performance, and the cost
2 of the proposed job training.

3 (5) This section only applies to training in respect to eligible
4 business projects for which an application is approved on or after July
5 1, 1995.

6 **Sec. 42.** RCW 84.36.035 and 1971 ex.s. c 206 s 1 are each amended
7 to read as follows:

8 The following property shall be exempt from taxation:

9 All property, whether real or personal, belonging to or leased by
10 any nonprofit corporation or association and used exclusively in the
11 business of performing research on, procuring, testing, processing,
12 storing, packaging, distributing, or using human whole blood, plasma,
13 blood products, ((and)) blood derivatives, musculoskeletal tissue,
14 tissue derivatives, or related products, or in the administration of
15 such business. If the real or personal property is leased, the benefit
16 of the exemption shall inure to the nonprofit corporation or
17 association.

18 **Sec. 43.** RCW 84.36.805 and 1993 c 79 s 3 are each amended to read
19 as follows:

20 In order to be exempt pursuant to RCW 84.36.030, 84.36.550,
21 84.36.035, 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045,
22 84.36.047, 84.36.050, 84.36.060, 84.36.350, and 84.36.480, the
23 nonprofit organizations, associations or corporations shall satisfy the
24 following conditions:

25 (1) The property is used exclusively for the actual operation of
26 the activity for which exemption is granted, unless otherwise provided,
27 and does not exceed an amount reasonably necessary for that purpose,
28 except:

29 (a) The loan or rental of the property does not subject the
30 property to tax if:

31 (i) The rents and donations received for the use of the portion of
32 the property are reasonable and do not exceed the maintenance and
33 operation expenses attributable to the portion of the property loaned
34 or rented; and

35 (ii) Except for the exemptions under RCW 84.36.030(4) and
36 84.36.037, the property would be exempt from tax if owned by the
37 organization to which it is loaned or rented;



1 (b) The use of the property for fund-raising activities does not
2 subject the property to tax if the fund-raising activities are
3 consistent with the purposes for which the exemption is granted;

4 (2) The property is irrevocably dedicated to the purpose for which
5 exemption has been granted, and on the liquidation, dissolution, or
6 abandonment by said organization, association, or corporation, said
7 property will not inure directly or indirectly to the benefit of any
8 shareholder or individual, except a nonprofit organization,
9 association, or corporation which too would be entitled to property tax
10 exemption: PROVIDED, That the property need not be irrevocably
11 dedicated if it is leased or rented to those qualified for exemption
12 pursuant to RCW 84.36.035, 84.36.040, 84.36.041, or 84.36.043 or those
13 qualified for exemption as an association engaged in the production or
14 performance of musical, dance, artistic, dramatic, or literary works
15 pursuant to RCW 84.36.060, but only if under the terms of the lease or
16 rental agreement the nonprofit organization, association, or
17 corporation receives the benefit of the exemption;

18 (3) The facilities and services are available to all regardless of
19 race, color, national origin or ancestry;

20 (4) The organization, association, or corporation is duly licensed
21 or certified where such licensing or certification is required by law
22 or regulation;

23 (5) Property sold to organizations, associations, or corporations
24 with an option to be repurchased by the seller shall not qualify for
25 exempt status;

26 (6) The director of the department of revenue shall have access to
27 its books in order to determine whether such organization, association,
28 or corporation is exempt from taxes within the intent of RCW 84.36.030,
29 84.36.035, 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045,
30 84.36.047, 84.36.050, 84.36.060, 84.36.350, and 84.36.480.

31 NEW SECTION. **Sec. 44.** A new section is added to chapter 82.04 RCW
32 to read as follows:

33 (1) As used in this section:

34 (a) "Blood" includes human whole blood, plasma, blood derivatives,
35 and related products.

36 (b) "Bone" includes human bone, bone marrow, and related products.

37 (c) "Tissue" includes human musculoskeletal tissue, musculoskeletal
38 tissue derivatives, and related products.



1 (d) "Blood, bone, or tissue bank" means an organization exempt from
2 federal income tax under section 501(c)(3) of the federal internal
3 revenue code, organized solely for the purpose of performing research
4 on, procuring, testing, processing, storing, packaging, distributing,
5 or using blood, bone, or tissue.

6 (e) "Medical supplies" means any item of tangible personal
7 property, including any repair and replacement parts for such tangible
8 personal property, used by a blood, tissue, or bone bank for the
9 purpose of performing research on, procuring, testing, processing,
10 storing, packaging, distributing, or using blood, bone, or tissue. The
11 term includes tangible personal property used to:

12 (i) Provide preparatory treatment of blood, bone, or tissue;

13 (ii) Control, guide, measure, tune, verify, align, regulate, test,
14 or physically support blood, bone, or tissue; and

15 (iii) Protect the health and safety of employees or others present
16 during research on, procuring, testing, processing, storing, packaging,
17 distributing, or using blood, bone, or tissue.

18 (f) "Chemical" means any catalyst, solvent, water, acid, oil, or
19 other additive that physically or chemically interacts with blood,
20 bone, or tissue.

21 (g) "Materials" means any item of tangible personal property,
22 including, but not limited to, bags, packs, collecting sets, filtering
23 materials, testing reagents, antisera, and refrigerants used or
24 consumed in performing research on, procuring, testing, processing,
25 storing, packaging, distributing, or using blood, bone, or tissue.

26 (h) "Research" means basic and applied research that has as its
27 objective the design, development, refinement, testing, marketing, or
28 commercialization of a product, service, or process.

29 (2) This chapter does not apply to amounts received by blood, bone,
30 or tissue banks, to the extent the amounts are exempt from federal
31 income tax.

32 **NEW SECTION. Sec. 45.** A new section is added to chapter 82.08 RCW
33 to read as follows:

34 The tax levied by RCW 82.08.020 does not apply to the sale of
35 medical supplies, chemicals, or materials to a blood, bone, or tissue
36 bank. The definitions in section 44 of this act apply to this section.
37 The exemption in this section does not apply to the sale of



1 construction materials, office equipment, building equipment,
2 administrative supplies, or vehicles.

3 NEW SECTION. **Sec. 46.** A new section is added to chapter 82.12 RCW
4 to read as follows:

5 The provisions of this chapter do not apply in respect to the use
6 of medical supplies, chemicals, or materials by a blood, bone, or
7 tissue bank. The definitions in section 44 of this act apply to this
8 section. The exemption in this section does not apply to the use of
9 construction materials, office equipment, building equipment,
10 administrative supplies, or vehicles.

11 NEW SECTION. **Sec. 47.** A new section is added to chapter 82.04 RCW
12 to read as follows:

13 This chapter shall not apply to amounts received from the sale of
14 automobiles at wholesale at auctions when:

15 (1) At the time of the auction the automobiles are registered in a
16 state other than Washington; and

17 (2) All sales at the auction are restricted to motor vehicle
18 dealers licensed under chapter 46.70 RCW.

19 **Sec. 48.** RCW 48.32.145 and 1993 sp.s. c 25 s 901 are each amended
20 to read as follows:

21 Every member insurer that prior to April 1, 1993, or after the
22 effective date of this section, shall have paid one or more assessments
23 levied pursuant to RCW 48.32.060(1)(c) shall be entitled to take, as a
24 credit against any premium tax falling due under RCW 48.14.020, one-
25 fifth of the aggregate amount of such aggregate assessments during such
26 calendar year for each of the five consecutive calendar years beginning
27 with the calendar year following the calendar year in which such
28 assessments are paid. Whenever an assessment or uncredited portion of
29 an assessment is or becomes less than one thousand dollars, the entire
30 amount may be credited against the premium tax at the next time the
31 premium tax is paid.

32 (~~This section shall expire January 1, 1999.~~)

33 **Sec. 49.** RCW 48.32A.090 and 1993 sp.s. c 25 s 902 are each amended
34 to read as follows:



1 (1) The association shall issue to each insurer paying an
2 assessment under this chapter certificates of contribution, in
3 appropriate form and terms as prescribed or approved by the
4 commissioner, for the amounts so paid into the respective funds. All
5 outstanding certificates against a particular fund shall be of equal
6 dignity and priority without reference to amounts or dates of issue.

7 (2) An outstanding certificate of contribution issued prior to
8 April 1, 1993, or after the effective date of this section, shall be
9 shown by the insurer in its financial statements as an admitted asset
10 for such amount and period of time as the commissioner may approve.
11 Unless a longer period has been allowed by the commissioner the insurer
12 shall in any event at its option have the right to so show a
13 certificate of contribution as an admitted asset at percentages of
14 original face amount for calendar years as follows:

- 15 100% for the calendar year of issuance;
- 16 80% for the first calendar year after the year of issuance;
- 17 60% for the second calendar year after the year of issuance;
- 18 40% for the third calendar year after the year of issuance;
- 19 20% for the fourth calendar year after the year of issuance; and
- 20 0% for the fifth and subsequent calendar years after the year of
21 issuance.

22 Notwithstanding the foregoing, if the value of a certificate of
23 contribution is or becomes less than one thousand dollars, the entire
24 amount may be written off by the insurer in that year.

25 (3) The insurer shall offset the amount written off by it in a
26 calendar year under subsection (2) of this section against its premium
27 tax liability to this state accrued with respect to business transacted
28 in such year.

29 (4) Any sums recovered by the association representing sums which
30 have theretofore been written off by contributing insurers and offset
31 against premium taxes as provided in subsection (3) of this section,
32 shall be paid by the association to the commissioner and then deposited
33 with the state treasurer for credit to the general fund of the state of
34 Washington.

35 (5) No distribution to stockholders, if any, of a liquidating
36 insurer shall be made unless and until the total amount of assessments
37 levied by the association with respect to such insurer have been fully
38 recovered by the association.



1 NEW SECTION. **Sec. 50.** A new section is added to chapter 82.08 RCW
2 to read as follows:

3 The tax levied by RCW 82.08.020 shall not apply to sales to health
4 or social welfare organizations, as defined in RCW 82.04.431, of items
5 necessary for new construction of alternative housing for youth in
6 crisis. This section shall expire July 1, 1997.

7 NEW SECTION. **Sec. 51.** A new section is added to chapter 82.12 RCW
8 to read as follows:

9 The provisions of this chapter shall not apply in respect to the
10 use of any item acquired by a health or social welfare organization, as
11 defined in RCW 82.04.431, of items necessary for new construction of
12 alternative housing for youth in crisis. This section shall expire
13 July 1, 1997.

14 NEW SECTION. **Sec. 52.** For the purposes of sections 50 and 51 of
15 this act, "youth in crisis" means any youth under eighteen years of age
16 who is either: Homeless; a runaway from the home of a parent,
17 guardian, or legal custodian; abused; neglected; abandoned by a parent,
18 guardian, or legal custodian; or suffering from a substance abuse or
19 mental disorder.

20 NEW SECTION. **Sec. 53.** A new section is added to chapter 82.12 RCW
21 to read as follows:

22 (1) The tax imposed under RCW 82.12.020 shall not apply to the
23 following uses of a vessel, as defined in RCW 88.02.010, by the
24 manufacturer of the vessel:

25 (a) Activities to test, set-up, repair, remodel, evaluate, or
26 otherwise make a vessel seaworthy, to include performance, endurance,
27 and sink testing, if the vessel is to be held for sale;

28 (b) Training activities of a manufacturer's employees, agents, or
29 subcontractors involved in the development and manufacturing of the
30 manufacturer's vessels, if the vessel is to be held for sale;

31 (c) Activities to promote the sale of the manufacturer's vessels,
32 to include photography and video sessions to be used in promotional
33 materials; traveling directly to and from vessel promotional events for
34 the express purpose of displaying a manufacturer's vessels;

35 (d) Any vessels loaned or donated to a civic, religious, nonprofit,
36 or educational organization for continuous periods of use not exceeding



1 seventy-two hours, or longer if approved by the department; or to
2 vessels loaned or donated to governmental entities;

3 (e) Direct transporting, displaying, or demonstrating any vessel at
4 a wholesale or retail vessel show;

5 (f) Delivery of a vessel to a buyer, vessel manufacturer,
6 registered vessel dealer as defined in RCW 88.02.010, or to any other
7 person involved in the manufacturing or sale of that vessel for the
8 purpose of the manufacturing or sale of that vessel; and

9 (g) Displaying, showing, and operating a vessel for sale to a
10 prospective buyer to include the short-term testing, operating, and
11 examining by a prospective buyer.

12 (2) Subsection (1) of this section shall apply to any trailer or
13 other similar apparatus used to transport, display, show, or operate a
14 vessel, if the trailer or other similar apparatus is held for sale.

15 NEW SECTION. **Sec. 54.** A new section is added to chapter 82.12 RCW
16 to read as follows:

17 (1) The tax imposed under RCW 82.12.020 shall not apply to the
18 following uses of a vessel, as defined in RCW 88.02.010, by a vessel
19 dealer registered under chapter 88.02 RCW:

20 (a) Activities to test, set-up, repair, remodel, evaluate, or
21 otherwise make a vessel seaworthy, if the vessel is held for sale;

22 (b) Training activity of a dealer's employees, agents, or
23 subcontractors involved in the sale of the dealer's vessels, if the
24 vessel is held for sale;

25 (c) Activities to promote the sale of the dealer's vessels, to
26 include photography and video sessions to be used in promotional
27 materials; traveling directly to and from promotional vessel events for
28 the express purpose of displaying a dealer's vessels for sale, provided
29 it is displayed on the vessel that it is, in fact, for sale and the
30 identification of the registered vessel dealer offering the vessel for
31 sale is also displayed on the vessel;

32 (d) Any vessel loaned or donated to a civic, religious, nonprofit,
33 or educational organization for continuous periods of use not exceeding
34 seventy-two hours, or longer if approved by the department; or to
35 vessels loaned or donated to governmental entities;

36 (e) Direct transporting, displaying, or demonstrating any vessel at
37 a wholesale or retail vessel show;



1 (f) Delivery of a vessel to a buyer, vessel manufacturer,
2 registered vessel dealer as defined in RCW 88.02.010, or to any other
3 person involved in the manufacturing or sale of that vessel for the
4 purpose of the manufacturing or sale of that vessel; and

5 (g) Displaying, showing, and operating a vessel for sale to a
6 prospective buyer to include the short-term testing, operating, and
7 examining by a prospective buyer.

8 (2) Subsection (1) of this section shall apply to any trailer or
9 other similar apparatus used to transport, display, show, or operate a
10 vessel, if the trailer or other similar apparatus is held for sale.

11 NEW SECTION. **Sec. 55.** A new section is added to chapter 82.12 RCW
12 to read as follows:

13 If a vessel held in inventory is used by a vessel dealer or vessel
14 manufacturer for personal use, use tax shall be due based only on the
15 reasonable rental value of the vessel used, but only if the vessel
16 dealer or manufacturer can show that the vessel is truly held for sale
17 and that the dealer or manufacturer is and has been making good faith
18 efforts to sell the vessel. The department may by rule require dealers
19 and manufacturers to provide vessel logs or other documentation showing
20 that vessels are truly held for sale.

21 NEW SECTION. **Sec. 56.** A new section is added to chapter 82.04 RCW
22 to read as follows:

23 For purposes of RCW 82.04.290(3):

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

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

28 (b) At least ten percent of the gross income of such person is
29 derived from providing investment management services to any of the
30 following: (i) Persons or collective investment funds residing outside
31 the United States; or (ii) persons or collective investment funds with
32 at least ten percent of their investments located outside the United
33 States.

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

37 (3) "Collective investment fund" includes:



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

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

7 (c) An "employee benefit plan," which includes any plan, trust,
8 commingled employee benefit trust, or custodial arrangement that is
9 subject to the Employee Retirement Income Security Act of 1974, as
10 amended, 29 U.S.C. Sec. 1001 et seq., or that is described in sections
11 125, 401, 403, 408, 457, and 501(c)(9) and (17) through (23) of the
12 internal revenue code of 1986, as amended, or a similar plan maintained
13 by a state or local government, or a plan, trust, or custodial
14 arrangement established to self-insure benefits required by federal,
15 state, or local law;

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

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

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

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

29 **Sec. 57.** RCW 82.04.2201 and 1994 sp.s. c 10 s 1 are each amended
30 to read as follows:

31 There is levied and shall be collected for the period July 1, 1993,
32 through June 30, 1997, from every person for the act or privilege of
33 engaging in business activities, as a part of the tax imposed under RCW
34 82.04.220 through 82.04.280 and 82.04.290 (3) and (4), except RCW
35 82.04.250(1) and 82.04.260(15), an additional tax equal to 4.5 percent
36 multiplied by the tax payable under those sections.

37 To facilitate collection of these additional taxes, the department
38 of revenue is authorized to adjust the basic rates of persons to which



1 this section applies in such manner as to reflect the amount to the
2 nearest one-thousandth of one percent of the additional tax hereby
3 imposed, adjusting ten-thousandths equal to or greater than five ten-
4 thousandths to the greater thousandth.

5 NEW SECTION. **Sec. 58.** In 1993, the legislature extended retail
6 sales taxes to discretionary spending on landscape maintenance and
7 horticultural services. The legislature did not intend to extend, nor
8 did it believe it was extending, retail sales taxes to pruning,
9 trimming, repairing, removing, and clearing of trees and brush near
10 electric distribution or transmission lines or equipment by, or at the
11 direction of, an electric utility. The latter activities generally
12 require nondiscretionary expenditures by electric utilities in the
13 interests of public safety and minimizing unplanned power
14 interruptions.

15 The legislature finds that the department of revenue misinterpreted
16 the intent of the legislature by adopting a rule extending retail sales
17 taxes to pruning, trimming, repairing, removing, and clearing of trees
18 and brush near electric distribution or transmission lines or
19 equipment, performed by, or at the direction of, an electric utility.
20 As a result of this misinterpretation, the department of revenue has
21 improperly collected retail sales tax on such services.

22 To avoid disputes and potential litigation, the legislature finds
23 that persons having paid taxes under chapter 82.08 RCW on or after July
24 1, 1993, for pruning, trimming, repairing, removing, or clearing of
25 trees and brush near electric distribution or transmission lines or
26 equipment, performed by, or at the direction of, an electric utility,
27 are entitled to credit against present and future taxes due to the
28 department of revenue.

29 **Sec. 59.** RCW 82.04.050 and 1993 sp.s. c 25 s 301 are each amended
30 to read as follows:

31 (1) "Sale at retail" or "retail sale" means every sale of tangible
32 personal property (including articles produced, fabricated, or
33 imprinted) to all persons irrespective of the nature of their business
34 and including, among others, without limiting the scope hereof, persons
35 who install, repair, clean, alter, improve, construct, or decorate real
36 or personal property of or for consumers other than a sale to a person
37 who presents a resale certificate under RCW 82.04.470 and who:



1 (a) Purchases for the purpose of resale as tangible personal
2 property in the regular course of business without intervening use by
3 such person; or

4 (b) Installs, repairs, cleans, alters, imprints, improves,
5 constructs, or decorates real or personal property of or for consumers,
6 if such tangible personal property becomes an ingredient or component
7 of such real or personal property without intervening use by such
8 person; or

9 (c) Purchases for the purpose of consuming the property purchased
10 in producing for sale a new article of tangible personal property or
11 substance, of which such property becomes an ingredient or component or
12 is a chemical used in processing, when the primary purpose of such
13 chemical is to create a chemical reaction directly through contact with
14 an ingredient of a new article being produced for sale; or

15 (d) Purchases for the purpose of consuming the property purchased
16 in producing ferrosilicon which is subsequently used in producing
17 magnesium for sale, if the primary purpose of such property is to
18 create a chemical reaction directly through contact with an ingredient
19 of ferrosilicon; or

20 (e) Purchases for the purpose of providing the property to
21 consumers as part of competitive telephone service, as defined in RCW
22 82.04.065. The term shall include every sale of tangible personal
23 property which is used or consumed or to be used or consumed in the
24 performance of any activity classified as a "sale at retail" or "retail
25 sale" even though such property is resold or utilized as provided in
26 (a), (b), (c), (d), or (e) of this subsection following such use. The
27 term also means every sale of tangible personal property to persons
28 engaged in any business which is taxable under RCW 82.04.280 (2) and
29 (7) and 82.04.290.

30 (2) The term "sale at retail" or "retail sale" shall include the
31 sale of or charge made for tangible personal property consumed and/or
32 for labor and services rendered in respect to the following:

33 (a) The installing, repairing, cleaning, altering, imprinting, or
34 improving of tangible personal property of or for consumers, including
35 charges made for the mere use of facilities in respect thereto, but
36 excluding sales of laundry service to members by nonprofit associations
37 composed exclusively of nonprofit hospitals, and excluding services
38 rendered in respect to live animals, birds and insects;



1 (b) The constructing, repairing, decorating, or improving of new or
2 existing buildings or other structures under, upon, or above real
3 property of or for consumers, including the installing or attaching of
4 any article of tangible personal property therein or thereto, whether
5 or not such personal property becomes a part of the realty by virtue of
6 installation, and shall also include the sale of services or charges
7 made for the clearing of land and the moving of earth excepting the
8 mere leveling of land used in commercial farming or agriculture;

9 (c) The charge for labor and services rendered in respect to
10 constructing, repairing, or improving any structure upon, above, or
11 under any real property owned by an owner who conveys the property by
12 title, possession, or any other means to the person performing such
13 construction, repair, or improvement for the purpose of performing such
14 construction, repair, or improvement and the property is then
15 reconveyed by title, possession, or any other means to the original
16 owner;

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

28 (e) The sale of or charge made for labor and services rendered in
29 respect to automobile towing and similar automotive transportation
30 services, but not in respect to those required to report and pay taxes
31 under chapter 82.16 RCW;

32 (f) The sale of and charge made for the furnishing of lodging and
33 all other services by a hotel, rooming house, tourist court, motel,
34 trailer camp, and the granting of any similar license to use real
35 property, as distinguished from the renting or leasing of real
36 property, and it shall be presumed that the occupancy of real property
37 for a continuous period of one month or more constitutes a rental or
38 lease of real property and not a mere license to use or enjoy the same;



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

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

16 (a) Amusement and recreation services including but not limited to
17 golf, pool, billiards, skating, bowling, ski lifts and tows, and
18 others;

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

20 (c) Credit bureau services;

21 (d) Automobile parking and storage garage services;

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

27 (f) Service charges associated with tickets to professional
28 sporting events;

29 (g) Guided tours and guided charters; and

30 (h) The following personal services: Physical fitness services,
31 tanning salon services, tattoo parlor services, massage services, steam
32 bath services, turkish bath services, escort services, and dating
33 services.

34 (4) The term shall also include the renting or leasing of tangible
35 personal property to consumers and the rental of equipment with an
36 operator.

37 (5) The term shall also include the providing of telephone service,
38 as defined in RCW 82.04.065, to consumers.



1 (6) The term shall not include the sale of or charge made for labor
2 and services rendered in respect to the building, repairing, or
3 improving of any street, place, road, highway, easement, right of way,
4 mass public transportation terminal or parking facility, bridge,
5 tunnel, or trestle which is owned by a municipal corporation or
6 political subdivision of the state or by the United States and which is
7 used or to be used primarily for foot or vehicular traffic including
8 mass transportation vehicles of any kind.

9 (7) The term shall also not include sales of feed, seed, seedlings,
10 fertilizer, agents for enhanced pollination including insects such as
11 bees, and spray materials to persons who participate in the federal
12 conservation reserve program or its successor administered by the
13 United States department of agriculture, or to farmers for the purpose
14 of producing for sale any agricultural product, nor shall it include
15 sales of chemical sprays or washes to persons for the purpose of post-
16 harvest treatment of fruit for the prevention of scald, fungus, mold,
17 or decay.

18 (8) The term shall not include the sale of or charge made for labor
19 and services rendered in respect to the constructing, repairing,
20 decorating, or improving of new or existing buildings or other
21 structures under, upon, or above real property of or for the United
22 States, any instrumentality thereof, or a county or city housing
23 authority created pursuant to chapter 35.82 RCW, including the
24 installing, or attaching of any article of tangible personal property
25 therein or thereto, whether or not such personal property becomes a
26 part of the realty by virtue of installation. Nor shall the term
27 include the sale of services or charges made for the clearing of land
28 and the moving of earth of or for the United States, any
29 instrumentality thereof, or a county or city housing authority.

30 NEW SECTION. **Sec. 60.** A new section is added to chapter 82.04
31 RCW, to be codified after RCW 82.04.290, to read as follows:

32 Upon every person engaging within this state in the business of
33 providing utility line clearance services, including pruning, trimming,
34 repairing, removing, and clearing trees and brush near electric
35 distribution or transmission lines or equipment where performed at the
36 direction of an electric utility; as to such persons the amount of the
37 tax with respect to such business shall be equal to the gross proceeds
38 of sales of the business, multiplied by the rate of 0.471 percent.



1 NEW SECTION. **Sec. 61.** A new section is added to chapter 82.08 RCW
2 to read as follows:

3 A person may claim a credit against any taxes due to the department
4 of revenue under chapters 82.04, 82.12, and 82.16 RCW as provided in
5 this section. The credit is equal to the amount of taxes, including
6 penalties and interest on such taxes, paid by the person under this
7 chapter on or after July 1, 1993, for pruning, trimming, repairing,
8 removing, and clearing of trees and brush near electric distribution or
9 transmission lines or equipment, if performed by or at the direction of
10 an electric utility. A buyer who has paid such tax to the seller shall
11 claim the credit directly with the department of revenue. A seller may
12 claim the credit only if the seller has paid such tax to the department
13 and has not collected the tax from the buyer. The credit may be
14 carried forward and taken against taxes reported in subsequent
15 reporting periods until fully used.

16 NEW SECTION. **Sec. 62.** A new section is added to chapter 82.04 RCW
17 to read as follows:

18 This chapter does not apply to amounts received by a nonprofit
19 organization from the sale or furnishing of the following items at a
20 camp or conference center conducted on property exempt from property
21 tax under RCW 84.36.030 (1), (2), or (3):

- 22 (1) Lodging, conference and meeting rooms, camping facilities,
23 parking, and similar licenses to use real property;
- 24 (2) Food and meals;
- 25 (3) Books, tapes, and other products that are available exclusively
26 to the participants at the camp, conference, or meeting and are not
27 available to the public at large.

28 NEW SECTION. **Sec. 63.** A new section is added to chapter 82.08 RCW
29 to read as follows:

30 The tax levied by RCW 82.08.020 shall not apply to a sale made at
31 a camp or conference center if the gross income from the sale is exempt
32 under section 62 of this act.

33 **Sec. 64.** RCW 66.24.290 and 1994 sp.s. c 7 s 902 are each amended
34 to read as follows:

- 35 (1) Any brewer or beer wholesaler licensed under this title may
36 sell and deliver beer to holders of authorized licenses direct, but to



1 no other person, other than the board; and every such brewer or beer
2 wholesaler shall report all sales to the board monthly, pursuant to the
3 regulations, and shall pay to the board as an added tax for the
4 privilege of manufacturing and selling the beer within the state a tax
5 of two dollars and sixty cents per barrel of thirty-one gallons on
6 sales to licensees within the state and on sales to licensees within
7 the state of bottled and canned beer shall pay a tax computed in
8 gallons at the rate of two dollars and sixty cents per barrel of
9 thirty-one gallons. Any brewer or beer wholesaler whose applicable tax
10 payment is not postmarked by the twentieth day following the month of
11 sale will be assessed a penalty at the rate of two percent per month or
12 fraction thereof. Each such brewer or wholesaler shall procure from
13 the board revenue stamps representing such tax in form prescribed by
14 the board and shall affix the same to the barrel or package in such
15 manner and in such denominations as required by the board, and shall
16 cancel the same prior to commencing delivery from his or her place of
17 business or warehouse of such barrels or packages. Beer shall be sold
18 by brewers and wholesalers in sealed barrels or packages. The revenue
19 stamps provided under this section need not be affixed and canceled in
20 the making of resales of barrels or packages already taxed by the
21 affixation and cancellation of stamps as provided in this section.

22 (2) An additional tax is imposed equal to seven percent multiplied
23 by the tax payable under subsection (1) of this section. All revenues
24 collected during any month from this additional tax shall be
25 transferred to the state general fund by the twenty-fifth day of the
26 following month.

27 (3) An additional tax is imposed on all beer subject to tax under
28 subsection (1) of this section. The additional tax is equal to two
29 dollars per barrel of thirty-one gallons. All revenues collected
30 during any month from this additional tax shall be deposited in the
31 violence reduction and drug enforcement account under RCW 69.50.520 by
32 the twenty-fifth day of the following month.

33 (4)(a) An additional tax is imposed on all beer subject to tax
34 under subsection (1) of this section. The additional tax is equal to
35 ninety-six cents per barrel of thirty-one gallons through June 30,
36 1995, (~~two dollars and thirty nine cents per barrel of thirty one~~
37 ~~gallons for the period July 1, 1995, through June 30, 1997, and four~~
38 ~~dollars and seventy eight cents per barrel of thirty one gallons~~) and
39 thereafter.



1 (b) The additional tax imposed under this subsection does not apply
2 to the sale of the first sixty thousand barrels of beer each year by
3 breweries that are entitled to a reduced rate of tax under 26 U.S.C.
4 Sec. 5051, as existing on July 1, 1993, or such subsequent date as may
5 be provided by the board by rule consistent with the purposes of this
6 exemption.

7 (c) All revenues collected from the additional tax imposed under
8 this subsection (4) shall be deposited in the health services account
9 under RCW 43.72.900.

10 (5) The tax imposed under this section shall not apply to "strong
11 beer" as defined in this title.

12 NEW SECTION. **Sec. 65.** A new section is added to chapter 82.08 RCW
13 to read as follows:

14 (1) As used in this section:

15 (a) "Production equipment" means the following when used in motion
16 picture or video production or postproduction: Grip and lighting
17 equipment, cameras, camera mounts including tripods, jib arms,
18 steadicams, and other camera mounts, cranes, dollies, generators,
19 helicopter mounts, helicopters rented for motion picture or video
20 production, walkie talkies, vans and trucks specifically equipped for
21 motion picture or video production, wardrobe and makeup trailers,
22 special effects and stunt equipment, video assists, videotape
23 recorders, cables and connectors, telepromoters, sound recording
24 equipment, and editorial equipment.

25 (b) "Production services" means motion picture and video
26 processing, printing, editing, duplicating, animation, graphics,
27 special effects, negative cutting, conversions to other formats or
28 media, stock footage, sound mixing, rerecording, sound sweetening,
29 sound looping, sound effects, and automatic dialog replacement.

30 (c) "Motion picture or video production business" means a person
31 engaged in the production of motion pictures and video tapes for
32 exhibition, sale, or for broadcast by a person other than the person
33 producing the motion picture or video tape.

34 (2) The tax levied by RCW 82.08.020 does not apply to the rental
35 of production equipment, or the sale of production services, to a
36 motion picture or video production business.



1 NEW SECTION. **Sec. 66.** A new section is added to chapter 82.12 RCW
2 to read as follows:

3 (1) The provisions of this chapter shall not apply in respect to
4 the use of:

5 (a) Production equipment rented to a motion picture or video
6 production business;

7 (b) Production equipment acquired and used by a motion picture or
8 video production business in another state, if the acquisition and use
9 occurred more than ninety days before the time the motion picture or
10 video production business entered this state.

11 (2) As used in this section, "production equipment" and "motion
12 picture or video production business" have the meanings given in
13 section 65 of this act.

14 NEW SECTION. **Sec. 67.** A new section is added to chapter 82.08 RCW
15 to read as follows:

16 The tax levied by RCW 82.08.020 shall not apply to sales to a
17 volunteer fire department that does not provide any remuneration,
18 compensation, or reimbursement to any commissioner, fire fighter, or
19 staff.

20 NEW SECTION. **Sec. 68.** A new section is added to chapter 82.12 RCW
21 to read as follows:

22 The provisions of this chapter shall not apply in respect to the
23 use of any item acquired by a volunteer fire department that does not
24 provide any remuneration, compensation, or reimbursement to any
25 commissioner, fire fighter, or staff.

26 NEW SECTION. **Sec. 69.** Captions as used in this act constitute no
27 part of the law.

28 NEW SECTION. **Sec. 70.** Sections 1 through 19, 20, 22, 27 through
29 35, 36 through 49, 53 through 57, and 62 through 68 of this act are
30 necessary for the immediate preservation of the public peace, health,
31 or safety, or support of the state government and its existing public
32 institutions, and shall take effect July 1, 1995.

33 NEW SECTION. **Sec. 71.** Sections 21, 50 through 52, and 58 through
34 61 of this act are necessary for the immediate preservation of the



1 public peace, health, or safety, or support of the state government and
2 its existing public institutions, and shall take effect immediately.

3 NEW SECTION. **Sec. 72.** Sections 19, 28, 29, 42, and 43 of this act
4 are effective for taxes levied for collection in 1996 and thereafter.

5 NEW SECTION. **Sec. 73.** Sections 23 through 26 of this act shall
6 take effect July 1, 1996.

7 NEW SECTION. **Sec. 74.** If any provision of this act or its
8 application to any person or circumstance is held invalid, the
9 remainder of the act or the application of the provision to other
10 persons or circumstances is not affected."

11 Correct the title accordingly.

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