

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE SENATE BILL 6874**

Chapter 300, Laws of 2006

59th Legislature  
2006 Regular Session

TAX INCENTIVES--TIMBER PRODUCTS

EFFECTIVE DATE: Sections 1, 3, 4-6, and 8-12 become effective 7/1/06; section 2 becomes effective 7/1/07; and section 7 is contingent.

Passed by the Senate March 8, 2006  
YEAS 40 NAYS 5

BRAD OWEN

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**President of the Senate**

Passed by the House March 7, 2006  
YEAS 93 NAYS 5

FRANK CHOPP

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**Speaker of the House of Representatives**

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 6874** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

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**Secretary**

Approved March 29, 2006.

FILED

March 29, 2006 - 3:38 p.m.

CHRISTINE GREGOIRE

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**Governor of the State of Washington**

**Secretary of State  
State of Washington**

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**SUBSTITUTE SENATE BILL 6874**

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AS AMENDED BY THE HOUSE

Passed Legislature - 2006 Regular Session

**State of Washington                      59th Legislature                      2006 Regular Session**

**By** Senate Committee on Ways & Means (originally sponsored by Senators Doumit, Zarelli, Hargrove, Morton, Sheldon and Rasmussen)

READ FIRST TIME 02/17/06.

1            AN ACT Relating to tax incentives for persons who extract,  
2 manufacture, or process timber and timber products; amending RCW  
3 34.05.030, 82.04.230, 82.04.280, 82.04.280, 82.04.440, 82.32.590, and  
4 82.32.600; amending 2003 c 149 s 12 (uncodified); reenacting and  
5 amending RCW 82.04.260; adding a new section to chapter 82.04 RCW;  
6 adding a new section to chapter 76.09 RCW; adding a new section to  
7 chapter 82.32 RCW; providing effective dates; providing a contingent  
8 effective date; and providing a contingent expiration date.

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

10            **Sec. 1.** RCW 82.04.260 and 2005 c 513 s 2 and 2005 c 443 s 4 are  
11 each reenacted and amended to read as follows:

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

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

1 (b) Seafood products which remain in a raw, raw frozen, or raw  
2 salted state at the completion of the manufacturing by that person; as  
3 to such persons the amount of tax with respect to such business shall  
4 be equal to the value of the products manufactured, multiplied by the  
5 rate of 0.138 percent;

6 (c) Dairy products that as of September 20, 2001, are identified in  
7 21 C.F.R., chapter 1, parts 131, 133, and 135, including byproducts  
8 from the manufacturing of the dairy products such as whey and casein;  
9 or selling the same to purchasers who transport in the ordinary course  
10 of business the goods out of state; as to such persons the tax imposed  
11 shall be equal to the value of the products manufactured multiplied by  
12 the rate of 0.138 percent. As proof of sale to a person who transports  
13 in the ordinary course of business goods out of this state, the seller  
14 shall annually provide a statement in a form prescribed by the  
15 department and retain the statement as a business record;

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

21 (e) Alcohol fuel or wood biomass fuel, as those terms are defined  
22 in RCW 82.29A.135; as to such persons the amount of tax with respect to  
23 the business shall be equal to the value of alcohol fuel or wood  
24 biomass fuel manufactured, multiplied by the rate of 0.138 percent.

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

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

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

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

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

13 (7) Upon every person engaging within this state in the business of  
14 stevedoring and associated activities pertinent to the movement of  
15 goods and commodities in waterborne interstate or foreign commerce; as  
16 to such persons the amount of tax with respect to such business shall  
17 be equal to the gross proceeds derived from such activities multiplied  
18 by the rate of 0.275 percent. Persons subject to taxation under this  
19 subsection shall be exempt from payment of taxes imposed by chapter  
20 82.16 RCW for that portion of their business subject to taxation under  
21 this subsection. Stevedoring and associated activities pertinent to  
22 the conduct of goods and commodities in waterborne interstate or  
23 foreign commerce are defined as all activities of a labor, service or  
24 transportation nature whereby cargo may be loaded or unloaded to or  
25 from vessels or barges, passing over, onto or under a wharf, pier, or  
26 similar structure; cargo may be moved to a warehouse or similar holding  
27 or storage yard or area to await further movement in import or export  
28 or may move to a consolidation freight station and be stuffed,  
29 unstuffed, containerized, separated or otherwise segregated or  
30 aggregated for delivery or loaded on any mode of transportation for  
31 delivery to its consignee. Specific activities included in this  
32 definition are: Wharfage, handling, loading, unloading, moving of  
33 cargo to a convenient place of delivery to the consignee or a  
34 convenient place for further movement to export mode; documentation  
35 services in connection with the receipt, delivery, checking, care,  
36 custody and control of cargo required in the transfer of cargo;  
37 imported automobile handling prior to delivery to consignee; terminal  
38 stevedoring and incidental vessel services, including but not limited

1 to plugging and unplugging refrigerator service to containers,  
2 trailers, and other refrigerated cargo receptacles, and securing ship  
3 hatch covers.

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

9 If the gross income of the taxpayer is attributable to activities  
10 both within and without this state, the gross income attributable to  
11 this state shall be determined in accordance with the methods of  
12 apportionment required under RCW 82.04.460.

13 (9) Upon every person engaging within this state as an insurance  
14 agent, insurance broker, or insurance solicitor licensed under chapter  
15 48.17 RCW; as to such persons, the amount of the tax with respect to  
16 such licensed activities shall be equal to the gross income of such  
17 business multiplied by the rate of 0.484 percent.

18 (10) Upon every person engaging within this state in business as a  
19 hospital, as defined in chapter 70.41 RCW, that is operated as a  
20 nonprofit corporation or by the state or any of its political  
21 subdivisions, as to such persons, the amount of tax with respect to  
22 such activities shall be equal to the gross income of the business  
23 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5  
24 percent thereafter. The moneys collected under this subsection shall  
25 be deposited in the health services account created under RCW  
26 43.72.900.

27 (11)(a) Beginning October 1, 2005, upon every person engaging  
28 within this state in the business of manufacturing commercial  
29 airplanes, or components of such airplanes, as to such persons the  
30 amount of tax with respect to such business shall, in the case of  
31 manufacturers, be equal to the value of the product manufactured, or in  
32 the case of processors for hire, be equal to the gross income of the  
33 business, multiplied by the rate of:

34 (i) 0.4235 percent from October 1, 2005, through the later of June  
35 30, 2007, or the day preceding the date final assembly of a  
36 superefficient airplane begins in Washington state, as determined under  
37 RCW 82.32.550; and

1 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the  
2 date final assembly of a superefficient airplane begins in Washington  
3 state, as determined under RCW 82.32.550.

4 (b) Beginning October 1, 2005, upon every person engaging within  
5 this state in the business of making sales, at retail or wholesale, of  
6 commercial airplanes, or components of such airplanes, manufactured by  
7 that person, as to such persons the amount of tax with respect to such  
8 business shall be equal to the gross proceeds of sales of the airplanes  
9 or components multiplied by the rate of:

10 (i) 0.4235 percent from October 1, 2005, through the later of June  
11 30, 2007, or the day preceding the date final assembly of a  
12 superefficient airplane begins in Washington state, as determined under  
13 RCW 82.32.550; and

14 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the  
15 date final assembly of a superefficient airplane begins in Washington  
16 state, as determined under RCW 82.32.550.

17 (c) For the purposes of this subsection (11), "commercial  
18 airplane," "component," and "final assembly of a superefficient  
19 airplane" have the meanings given in RCW 82.32.550.

20 (d) In addition to all other requirements under this title, a  
21 person eligible for the tax rate under this subsection (11) must report  
22 as required under RCW 82.32.545.

23 (e) This subsection (11) does not apply after the earlier of: July  
24 1, 2024; or December 31, 2007, if assembly of a superefficient airplane  
25 does not begin by December 31, 2007, as determined under RCW 82.32.550.

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

34 (b) Until July 1, 2024, upon every person engaging within this  
35 state in the business of manufacturing or processing for hire: (i)  
36 Timber into timber products or wood products; or (ii) timber products  
37 into other timber products or wood products; as to such persons the  
38 amount of the tax with respect to the business shall, in the case of

1 manufacturers, be equal to the value of products, including byproducts,  
2 manufactured, or in the case of processors for hire, be equal to the  
3 gross income of the business, multiplied by the rate of 0.4235 percent  
4 from July 1, 2006, through June 30, 2007, and 0.2904 percent from July  
5 1, 2007, through June 30, 2024.

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

16 (d) For purposes of this subsection, the following definitions  
17 apply:

18 (i) "Timber products" means logs, wood chips, sawdust, wood waste,  
19 and similar products obtained wholly from the processing of timber;  
20 pulp; and recycled paper products.

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

25 NEW SECTION. Sec. 2. A new section is added to chapter 82.04 RCW  
26 to be codified between RCW 82.04.260 and 82.04.263 to read as follows:

27 (1) In addition to the taxes imposed under RCW 82.04.260(12), a  
28 surcharge is imposed on those persons who are subject to any of the  
29 taxes imposed under RCW 82.04.260(12). Except as otherwise provided in  
30 this section, the surcharge is equal to 0.052 percent added to the  
31 rates provided in RCW 82.04.260(12) (a), (b), and (c).

32 (2) All receipts from the surcharge imposed under this section  
33 shall be deposited into the forest and fish support account created in  
34 section 3 of this act.

35 (3)(a) The surcharge imposed under this section shall be suspended  
36 if:

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

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

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

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

26 (4)(a) If, by October 1st of any federal fiscal year, the office of  
27 financial management certifies to the department that the federal  
28 government has appropriated funds for participation in forest and fish  
29 report-related activities by federally recognized Indian tribes located  
30 within the geographical boundaries of the state of Washington but the  
31 amount of the appropriation is less than two million dollars, the  
32 department shall adjust the surcharge in accordance with this  
33 subsection.

34 (b) The department shall adjust the surcharge by an amount that the  
35 department estimates will cause the amount of funds deposited into the  
36 forest and fish support account for the state fiscal year that begins  
37 July 1st and that includes the beginning of the federal fiscal year for  
38 which the federal appropriation is made, to be reduced by twice the



1 amount of the federal appropriation for participation in forest and  
2 fish report-related activities by federally recognized Indian tribes  
3 located within the geographical boundaries of the state of Washington.

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

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

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

15 (f) The department shall provide timely notice to affected  
16 taxpayers of the suspension of the surcharge or an adjustment of the  
17 surcharge.

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

21 NEW SECTION. **Sec. 3.** A new section is added to chapter 76.09 RCW  
22 to read as follows:

23 The forest and fish support account is hereby created in the state  
24 treasury. Receipts from appropriations, the surcharge imposed under  
25 RCW 82.04.260(12), and other sources must be deposited into the  
26 account. Expenditures from the account shall be used for activities  
27 pursuant to the state's implementation of the forests and fish report  
28 as defined in chapter 76.09 RCW and related activities, including, but  
29 not limited to, adaptive management, monitoring, and participation  
30 grants to tribes, state and local agencies, and not-for-profit public  
31 interest organizations. Expenditures from the account may be made only  
32 after appropriation by the legislature.

33 **Sec. 4.** RCW 34.05.030 and 2002 c 354 s 225 are each amended to  
34 read as follows:

- 35 (1) This chapter shall not apply to:  
36 (a) The state militia, or

1 (b) The board of clemency and pardons, or  
2 (c) The department of corrections or the indeterminate sentencing  
3 review board with respect to persons who are in their custody or are  
4 subject to the jurisdiction of those agencies.

5 (2) The provisions of RCW 34.05.410 through 34.05.598 shall not  
6 apply:

7 (a) To adjudicative proceedings of the board of industrial  
8 insurance appeals except as provided in RCW 7.68.110 and 51.48.131;

9 (b) Except for actions pursuant to chapter 46.29 RCW, to the  
10 denial, suspension, or revocation of a driver's license by the  
11 department of licensing;

12 (c) To the department of labor and industries where another statute  
13 expressly provides for review of adjudicative proceedings of a  
14 department action, order, decision, or award before the board of  
15 industrial insurance appeals;

16 (d) To actions of the Washington personnel resources board or the  
17 director of personnel; (~~(e)~~)

18 (e) To adjustments by the department of revenue of the amount of  
19 the surcharge imposed under section 2 of this act; or

20 (f) To the extent they are inconsistent with any provisions of  
21 chapter 43.43 RCW.

22 (3) Unless a party makes an election for a formal hearing pursuant  
23 to RCW 82.03.140 or 82.03.190, RCW 34.05.410 through 34.05.598 do not  
24 apply to a review hearing conducted by the board of tax appeals.

25 (4) The rule-making provisions of this chapter do not apply to:

26 (a) Reimbursement unit values, fee schedules, arithmetic conversion  
27 factors, and similar arithmetic factors used to determine payment rates  
28 that apply to goods and services purchased under contract for clients  
29 eligible under chapter 74.09 RCW; and

30 (b) Adjustments by the department of revenue of the amount of the  
31 surcharge imposed under section 2 of this act.

32 (5) All other agencies, whether or not formerly specifically  
33 excluded from the provisions of all or any part of the Administrative  
34 Procedure Act, shall be subject to the entire act.

35 **Sec. 5.** RCW 82.04.230 and 1993 sp.s. c 25 s 101 are each amended  
36 to read as follows:

37 Upon every person engaging within this state in business as an

1 extractor, except persons taxable as an extractor under any other  
2 provision in this chapter; as to such persons the amount of the tax  
3 with respect to such business shall be equal to the value of the  
4 products, including byproducts, extracted for sale or for commercial or  
5 industrial use, multiplied by the rate of 0.484 percent.

6 The measure of the tax is the value of the products, including  
7 byproducts, so extracted, regardless of the place of sale or the fact  
8 that deliveries may be made to points outside the state.

9 **Sec. 6.** RCW 82.04.280 and 2004 c 24 s 6 are each amended to read  
10 as follows:

11 Upon every person engaging within this state in the business of:  
12 (1) Printing, and of publishing newspapers, periodicals, or magazines;  
13 (2) building, repairing or improving any street, place, road, highway,  
14 easement, right of way, mass public transportation terminal or parking  
15 facility, bridge, tunnel, or trestle which is owned by a municipal  
16 corporation or political subdivision of the state or by the United  
17 States and which is used or to be used, primarily for foot or vehicular  
18 traffic including mass transportation vehicles of any kind and  
19 including any readjustment, reconstruction or relocation of the  
20 facilities of any public, private or cooperatively owned utility or  
21 railroad in the course of such building, repairing or improving, the  
22 cost of which readjustment, reconstruction, or relocation, is the  
23 responsibility of the public authority whose street, place, road,  
24 highway, easement, right of way, mass public transportation terminal or  
25 parking facility, bridge, tunnel, or trestle is being built, repaired  
26 or improved; (3) extracting for hire or processing for hire, except  
27 persons taxable as extractors for hire or processors for hire under  
28 another section of this chapter; (4) operating a cold storage warehouse  
29 or storage warehouse, but not including the rental of cold storage  
30 lockers; (5) representing and performing services for fire or casualty  
31 insurance companies as an independent resident managing general agent  
32 licensed under the provisions of RCW 48.05.310; (6) radio and  
33 television broadcasting, excluding network, national and regional  
34 advertising computed as a standard deduction based on the national  
35 average thereof as annually reported by the Federal Communications  
36 Commission, or in lieu thereof by itemization by the individual  
37 broadcasting station, and excluding that portion of revenue represented

1 by the out-of-state audience computed as a ratio to the station's total  
2 audience as measured by the 100 micro-volt signal strength and delivery  
3 by wire, if any; (7) engaging in activities which bring a person within  
4 the definition of consumer contained in RCW 82.04.190(6); as to such  
5 persons, the amount of tax on such business shall be equal to the gross  
6 income of the business multiplied by the rate of 0.484 percent.

7 As used in this section, "cold storage warehouse" means a storage  
8 warehouse used to store fresh and/or frozen perishable fruits or  
9 vegetables, meat, seafood, dairy products, or fowl, or any combination  
10 thereof, at a desired temperature to maintain the quality of the  
11 product for orderly marketing.

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

22 As used in this section, "periodical or magazine" means a printed  
23 publication, other than a newspaper, issued regularly at stated  
24 intervals at least once every three months, including any supplement or  
25 special edition of the publication.

26 **Sec. 7.** RCW 82.04.280 and 2003 c 149 s 4 are each amended to read  
27 as follows:

28 Upon every person engaging within this state in the business of:  
29 (1) Printing, and of publishing newspapers, periodicals, or magazines;  
30 (2) building, repairing or improving any street, place, road, highway,  
31 easement, right of way, mass public transportation terminal or parking  
32 facility, bridge, tunnel, or trestle which is owned by a municipal  
33 corporation or political subdivision of the state or by the United  
34 States and which is used or to be used, primarily for foot or vehicular  
35 traffic including mass transportation vehicles of any kind and  
36 including any readjustment, reconstruction or relocation of the  
37 facilities of any public, private or cooperatively owned utility or

1 railroad in the course of such building, repairing or improving, the  
2 cost of which readjustment, reconstruction, or relocation, is the  
3 responsibility of the public authority whose street, place, road,  
4 highway, easement, right of way, mass public transportation terminal or  
5 parking facility, bridge, tunnel, or trestle is being built, repaired  
6 or improved; (3) extracting for hire or processing for hire, except  
7 persons taxable as extractors for hire or processors for hire under  
8 another section of this chapter; (4) operating a cold storage warehouse  
9 or storage warehouse, but not including the rental of cold storage  
10 lockers; (5) representing and performing services for fire or casualty  
11 insurance companies as an independent resident managing general agent  
12 licensed under the provisions of RCW 48.05.310; (6) radio and  
13 television broadcasting, excluding network, national and regional  
14 advertising computed as a standard deduction based on the national  
15 average thereof as annually reported by the Federal Communications  
16 Commission, or in lieu thereof by itemization by the individual  
17 broadcasting station, and excluding that portion of revenue represented  
18 by the out-of-state audience computed as a ratio to the station's total  
19 audience as measured by the 100 micro-volt signal strength and delivery  
20 by wire, if any; (7) engaging in activities which bring a person within  
21 the definition of consumer contained in RCW 82.04.190(6); as to such  
22 persons, the amount of tax on such business shall be equal to the gross  
23 income of the business multiplied by the rate of 0.484 percent.

24 As used in this section, "cold storage warehouse" means a storage  
25 warehouse used to store fresh and/or frozen perishable fruits or  
26 vegetables, meat, seafood, dairy products, or fowl, or any combination  
27 thereof, at a desired temperature to maintain the quality of the  
28 product for orderly marketing.

29 As used in this section, "storage warehouse" means a building or  
30 structure, or any part thereof, in which goods, wares, or merchandise  
31 are received for storage for compensation, except field warehouses,  
32 fruit warehouses, fruit packing plants, warehouses licensed under  
33 chapter 22.09 RCW, public garages storing automobiles, railroad freight  
34 sheds, docks and wharves, and "self-storage" or "mini storage"  
35 facilities whereby customers have direct access to individual storage  
36 areas by separate entrance. "Storage warehouse" does not include a  
37 building or structure, or that part of such building or structure, in  
38 which an activity taxable under RCW 82.04.272 is conducted.

1 As used in this section, "periodical or magazine" means a printed  
2 publication, other than a newspaper, issued regularly at stated  
3 intervals at least once every three months, including any supplement or  
4 special edition of the publication.

5 **Sec. 8.** RCW 82.04.440 and 2005 c 301 s 3 are each amended to read  
6 as follows:

7 (1) Every person engaged in activities which are within the purview  
8 of the provisions of two or more of sections RCW 82.04.230 to  
9 82.04.298, inclusive, shall be taxable under each paragraph applicable  
10 to the activities engaged in.

11 (2) Persons taxable under RCW 82.04.2909(2), 82.04.250, 82.04.270,  
12 82.04.294(2), or 82.04.260 (4) (~~(or (13))~~), (11), or (12) with respect  
13 to selling products in this state, including those persons who are also  
14 taxable under section 2 of this act, shall be allowed a credit against  
15 those taxes for any (a) manufacturing taxes paid with respect to the  
16 manufacturing of products so sold in this state, and/or (b) extracting  
17 taxes paid with respect to the extracting of products so sold in this  
18 state or ingredients of products so sold in this state. Extracting  
19 taxes taken as credit under subsection (3) of this section may also be  
20 taken under this subsection, if otherwise allowable under this  
21 subsection. The amount of the credit shall not exceed the tax  
22 liability arising under this chapter with respect to the sale of those  
23 products.

24 (3) Persons taxable as manufacturers under RCW 82.04.240 or  
25 82.04.260 (1)(b) or (12), including those persons who are also taxable  
26 under section 2 of this act, shall be allowed a credit against those  
27 taxes for any extracting taxes paid with respect to extracting the  
28 ingredients of the products so manufactured in this state. The amount  
29 of the credit shall not exceed the tax liability arising under this  
30 chapter with respect to the manufacturing of those products.

31 (4) Persons taxable under RCW 82.04.230, 82.04.240, 82.04.2909(1),  
32 82.04.294(1), or 82.04.260 (1), (2), (4), (~~((6), or (13))~~) (11), or  
33 (12), including those persons who are also taxable under section 2 of  
34 this act, with respect to extracting or manufacturing products in this  
35 state shall be allowed a credit against those taxes for any (i) gross  
36 receipts taxes paid to another state with respect to the sales of the  
37 products so extracted or manufactured in this state, (ii) manufacturing

1 taxes paid with respect to the manufacturing of products using  
2 ingredients so extracted in this state, or (iii) manufacturing taxes  
3 paid with respect to manufacturing activities completed in another  
4 state for products so manufactured in this state. The amount of the  
5 credit shall not exceed the tax liability arising under this chapter  
6 with respect to the extraction or manufacturing of those products.

7 (5) For the purpose of this section:

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

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

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

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

19 (c) "Manufacturing tax" means a gross receipts tax imposed on the  
20 act or privilege of engaging in business as a manufacturer, and  
21 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2909(1),  
22 82.04.260 (1), (2), (4), (~~and (13)~~) (11), and (12), and 82.04.294(1);  
23 (~~and~~) (ii) the tax imposed under section 2 of this act on persons who  
24 are engaged in business as a manufacturer; and (iii) similar gross  
25 receipts taxes paid to other states.

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

32 (e) "Business", "manufacturer", "extractor", and other terms used  
33 in this section have the meanings given in RCW 82.04.020 through  
34 82.04.212, notwithstanding the use of those terms in the context of  
35 describing taxes imposed by other states.

36 NEW SECTION. Sec. 9. A new section is added to chapter 82.32 RCW  
37 to read as follows:

1 (1) The legislature finds that accountability and effectiveness are  
2 important aspects of setting tax policy. In order to make policy  
3 choices regarding the best use of limited state resources, the  
4 legislature needs information on how a tax incentive is used.

5 (2)(a) A person who reports taxes under RCW 82.04.260(12) shall  
6 file a complete annual survey with the department. The survey is due  
7 by March 31st following any year in which a person reports taxes under  
8 RCW 82.04.260(12). The department may extend the due date for timely  
9 filing of annual surveys under this section as provided in RCW  
10 82.32.590. The survey shall include the amount of tax reduced under  
11 the preferential rate in RCW 82.04.260(12). The survey shall also  
12 include the following information for employment positions in  
13 Washington:

14 (i) The number of total employment positions;

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

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

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

24 (b) The first survey filed under this subsection shall include  
25 employment, wage, and benefit information for the twelve-month period  
26 immediately before first use of a preferential tax rate under RCW  
27 82.04.260(12).

28 (c) As part of the annual survey, the department may request  
29 additional information, including the amount of investment in equipment  
30 used in the activities taxable under the preferential rate in RCW  
31 82.04.260(12), necessary to measure the results of, or determine  
32 eligibility for, the preferential tax rate in RCW 82.04.260(12).

33 (d) All information collected under this section, except the amount  
34 of the tax reduced under the preferential rate in RCW 82.04.260(12), is  
35 deemed taxpayer information under RCW 82.32.330. Information on the  
36 amount of tax reduced is not subject to the confidentiality provisions  
37 of RCW 82.32.330 and may be disclosed to the public upon request,  
38 except as provided in (e) of this subsection. If the amount of the tax



1 reduced as reported on the survey is different than the amount actually  
2 reduced based on the taxpayer's excise tax returns or otherwise allowed  
3 by the department, the amount actually reduced may be disclosed.

4 (e) Persons for whom the actual amount of the tax reduction is less  
5 than ten thousand dollars during the period covered by the survey may  
6 request the department to treat the amount of the tax reduction as  
7 confidential under RCW 82.32.330.

8 (3) If a person fails to submit a complete annual survey under  
9 subsection (2) of this section by the due date or any extension under  
10 RCW 82.32.590, the department shall declare the amount of taxes reduced  
11 under the preferential rate in RCW 82.04.260(12) for the period covered  
12 by the survey to be immediately due and payable. The department shall  
13 assess interest, but not penalties, on the taxes. Interest shall be  
14 assessed at the rate provided for delinquent excise taxes under this  
15 chapter, retroactively to the date the reduced taxes were due, and  
16 shall accrue until the amount of the reduced taxes is repaid.

17 (4) The department shall use the information from the annual survey  
18 required under subsection (2) of this section to prepare summary  
19 descriptive statistics by category. The department shall report these  
20 statistics to the legislature each year by September 1st. The  
21 requirement to prepare and report summary descriptive statistics shall  
22 cease after September 1, 2025.

23 (5) By November 1, 2011, and November 1, 2023, the fiscal  
24 committees of the house of representatives and the senate, in  
25 consultation with the department, shall report to the legislature on  
26 the effectiveness of the preferential tax rate provided in RCW  
27 82.04.260(12). The report shall measure the effect of the preferential  
28 tax rate provided in RCW 82.04.260(12) on job retention, net jobs  
29 created for Washington residents, company growth, and other factors as  
30 the committees select. The report shall include a discussion of  
31 principles to apply in evaluating whether the legislature should  
32 continue the preferential tax rate provided in RCW 82.04.260(12).

33 **Sec. 10.** RCW 82.32.590 and 2005 c 514 s 1001 are each amended to  
34 read as follows:

35 (1) If the department finds that the failure of a taxpayer to file  
36 an annual survey under RCW 82.04.4452 or section 9 of this act by the  
37 due date was the result of circumstances beyond the control of the

1 taxpayer, the department shall extend the time for filing the survey.  
2 Such extension shall be for a period of thirty days from the date the  
3 department issues its written notification to the taxpayer that it  
4 qualifies for an extension under this section. The department may  
5 grant additional extensions as it deems proper.

6 (2) In making a determination whether the failure of a taxpayer to  
7 file an annual survey by the due date was the result of circumstances  
8 beyond the control of the taxpayer, the department shall be guided by  
9 rules adopted by the department for the waiver or cancellation of  
10 penalties when the underpayment or untimely payment of any tax was due  
11 to circumstances beyond the control of the taxpayer.

12 **Sec. 11.** RCW 82.32.600 and 2005 c 514 s 1002 are each amended to  
13 read as follows:

14 (1) Persons required to file surveys under RCW 82.04.4452 or  
15 section 9 of this act must electronically file with the department all  
16 surveys, returns, and any other forms or information the department  
17 requires in an electronic format as provided or approved by the  
18 department(~~(, unless the department grants relief under subsection (2)~~  
19 ~~of this section)~~). As used in this section, "returns" has the same  
20 meaning as "return" in RCW 82.32.050.

21 (~~(2) ((Upon request, the department may relieve a person of the~~  
22 ~~obligations in subsection (1) of this section if the person's taxes~~  
23 ~~have been reduced a cumulative total of less than one thousand dollars~~  
24 ~~from all of the credits, exemptions, or preferential business and~~  
25 ~~occupation tax rates, for which a person is required to file an annual~~  
26 ~~survey under RCW 82.04.4452, 82.32.535, 82.32.545, 82.32.570,~~  
27 ~~82.32.560, 82.60.070, or 82.63.020.~~

28 ~~(3) Persons who no longer qualify for relief under subsection (2)~~  
29 ~~of this section will be notified in writing by the department and must~~  
30 ~~comply with subsection (1) of this section by the date provided in the~~  
31 ~~notice.~~

32 ~~(4))~~ Any survey, return, or any other form or information required  
33 to be filed in an electronic format under subsection (1) of this  
34 section is not filed until received by the department in an electronic  
35 format.

1       **Sec. 12.** 2003 c 149 s 12 (uncodified) is amended to read as  
2 follows:

3       (1)(a) This act (~~(is)~~) and section 7, chapter . . ., Laws of 2006  
4 (section 7 of this act) are contingent upon the siting and commercial  
5 operation of a significant semiconductor microchip fabrication facility  
6 in the state of Washington.

7       (b) For the purposes of this section:

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

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

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

15       (2) This act takes effect the first day of the month in which a  
16 contract for the construction of a significant semiconductor  
17 fabrication facility is signed, as determined by the director of the  
18 department of revenue.

19       (3)(a) The department of revenue shall provide notice of the  
20 effective date of this act to affected taxpayers, the legislature, and  
21 others as deemed appropriate by the department.

22       (b) If, after making a determination that a contract has been  
23 signed and this act is effective, the department discovers that  
24 commencement of commercial production did not take place within three  
25 years of the date the contract was signed, the department shall make a  
26 determination that this act is no longer effective, and all taxes that  
27 would have been otherwise due shall be deemed deferred taxes and are  
28 immediately assessed and payable from any person reporting tax under  
29 RCW 82.04.240(2) or claiming an exemption or credit under section 2 or  
30 5 through 10 of this act. The department is not authorized to make a  
31 second determination regarding the effective date of this act.

32       NEW SECTION. **Sec. 13.** (1) Sections 1, 3, 4 through 6, and 8  
33 through 12 of this act take effect July 1, 2006.

34       (2) Section 2 of this act takes effect July 1, 2007.

35       (3) Section 7 of this act takes effect if the contingency in  
36 section 12 of this act occurs.

1        NEW SECTION.    **Sec. 14.**    Section 6 of this act expires on the date  
2    that section 7 of this act takes effect.

      Passed by the Senate March 8, 2006.

      Passed by the House March 7, 2006.

      Approved by the Governor March 29, 2006.

      Filed in Office of Secretary of State March 29, 2006.