
SENATE BILL 6505

State of Washington

63rd Legislature

2014 Regular Session

By Senators Hargrove, Hill, and Braun

Read first time 01/30/14. Referred to Committee on Ways & Means.

1 AN ACT Relating to clarifying that marijuana, useable marijuana,
2 and marijuana-infused products are not agricultural products; amending
3 RCW 82.04.100, 82.04.260, 82.04.260, 82.04.260, 82.04.260, 82.04.330,
4 82.04.331, 82.04.4266, 82.04.625, 82.08.010, 82.08.020, 82.08.02565,
5 82.12.02565, 82.08.0257, 82.12.0258, 82.08.0273, 82.08.02745,
6 82.08.0281, 82.08.0288, 82.12.0283, 82.08.0293, 82.08.820, 82.14.430,
7 82.16.050, 82.29A.020, 84.36.630, 84.40.030, 82.02.010, 15.13.270,
8 15.13.270, 15.17.020, 15.49.061, and 20.01.030; reenacting and amending
9 RCW 82.04.213; adding a new section to chapter 84.34 RCW; providing
10 effective dates; providing a contingent effective date; providing
11 expiration dates; and providing a contingent expiration date.

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

13 **Sec. 1.** RCW 82.04.100 and 2001 c 118 s 1 are each amended to read
14 as follows:

15 "Extractor" means every person who from the person's own land or
16 from the land of another under a right or license granted by lease or
17 contract, either directly or by contracting with others for the
18 necessary labor or mechanical services, for sale or for commercial or
19 industrial use mines, quarries, takes or produces coal, oil, natural

1 gas, ore, stone, sand, gravel, clay, mineral or other natural resource
2 product, or fells, cuts or takes timber, Christmas trees other than
3 plantation Christmas trees, or other natural products, or takes fish,
4 shellfish, or other sea or inland water foods or products. "Extractor"
5 does not include persons performing under contract the necessary labor
6 or mechanical services for others; ((or)) persons meeting the
7 definition of farmer under RCW 82.04.213; or persons producing
8 marijuana.

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

11 (1) "Agricultural product" means any product of plant cultivation
12 or animal husbandry including, but not limited to: A product of
13 horticulture, grain cultivation, vermiculture, viticulture, or
14 aquaculture as defined in RCW 15.85.020; plantation Christmas trees;
15 short-rotation hardwoods as defined in RCW 84.33.035; turf; or any
16 animal including but not limited to an animal that is a private sector
17 cultured aquatic product as defined in RCW 15.85.020, or a bird, or
18 insect, or the substances obtained from such an animal. "Agricultural
19 product" does not include marijuana, useable marijuana, or marijuana-
20 infused products, or animals defined as pet animals under RCW
21 16.70.020.

22 (2) "Farmer" means any person engaged in the business of growing,
23 raising, or producing, upon the person's own lands or upon the lands in
24 which the person has a present right of possession, any agricultural
25 product to be sold. "Farmer" does not include a person growing,
26 raising, or producing such products for the person's own consumption;
27 a person selling any animal or substance obtained therefrom in
28 connection with the person's business of operating a stockyard or a
29 slaughter or packing house; or a person in respect to the business of
30 taking, cultivating, or raising timber.

31 (3) The terms "agriculture," "farming," "horticulture,"
32 "horticultural," and "horticultural product" may not be construed to
33 include or relate to marijuana, useable marijuana, or marijuana-infused
34 products unless the applicable term is explicitly defined to include
35 marijuana, useable marijuana, or marijuana-infused products.

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

1 **Sec. 3.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 202 are each
2 amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (v) "Timber products" means:

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

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

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

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

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

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

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

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

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

11 **Sec. 4.** RCW 82.04.260 and 2013 2nd sp.s. c 13 s 203 are each
12 amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 (b) Until July 1, 2024, upon every person engaging within this
10 state in the business of manufacturing or processing for hire: (i)
11 Timber into timber products or wood products; or (ii) timber products
12 into other timber products or wood products; as to such persons the
13 amount of the tax with respect to the business is, in the case of
14 manufacturers, equal to the value of products, including by-products,
15 manufactured, or in the case of processors for hire, equal to the gross
16 income of the business, multiplied by the rate of 0.4235 percent from
17 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
18 2007, through June 30, 2024.

19 (c) Until July 1, 2024, upon every person engaging within this
20 state in the business of selling at wholesale: (i) Timber extracted by
21 that person; (ii) timber products manufactured by that person from
22 timber or other timber products; or (iii) wood products manufactured by
23 that person from timber or timber products; as to such persons the
24 amount of the tax with respect to the business is equal to the gross
25 proceeds of sales of the timber, timber products, or wood products
26 multiplied by the rate of 0.4235 percent from July 1, 2006, through
27 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
28 2024.

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

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

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

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

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

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

27 (v) "Timber products" means:

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

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

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

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

1 (f) Except for small harvesters as defined in RCW 84.33.035, a
2 person reporting under the tax rate provided in this subsection (12)
3 must file a complete annual survey with the department under RCW
4 82.32.585.

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

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

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

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

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

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

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

1 were transported by the purchaser in the ordinary course of business
2 out of this state;

3 (c)(i) Beginning July 1, 2015, dairy products; or selling dairy
4 products that the person has manufactured to purchasers who either
5 transport in the ordinary course of business the goods out of state or
6 purchasers who use such dairy products as an ingredient or component in
7 the manufacturing of a dairy product; as to such persons the tax
8 imposed is equal to the value of the products manufactured or the gross
9 proceeds derived from such sales multiplied by the rate of 0.138
10 percent. Sellers must keep and preserve records for the period
11 required by RCW 82.32.070 establishing that the goods were transported
12 by the purchaser in the ordinary course of business out of this state
13 or sold to a manufacturer for use as an ingredient or component in the
14 manufacturing of a dairy product.

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

17 (A) Products, not including any marijuana-infused product, that as
18 of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts
19 131, 133, and 135, including by-products from the manufacturing of the
20 dairy products, such as whey and casein; and

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

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

29 (d)(i) Beginning July 1, 2015, fruits or vegetables by canning,
30 preserving, freezing, processing, or dehydrating fresh fruits or
31 vegetables, or selling at wholesale fruits or vegetables manufactured
32 by the seller by canning, preserving, freezing, processing, or
33 dehydrating fresh fruits or vegetables and sold to purchasers who
34 transport in the ordinary course of business the goods out of this
35 state; as to such persons the amount of tax with respect to such
36 business is equal to the value of the products manufactured or the
37 gross proceeds derived from such sales multiplied by the rate of 0.138

1 percent. Sellers must keep and preserve records for the period
2 required by RCW 82.32.070 establishing that the goods were transported
3 by the purchaser in the ordinary course of business out of this state.

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

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

12 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
13 persons the amount of tax with respect to the business is equal to the
14 value of wood biomass fuel manufactured, multiplied by the rate of
15 0.138 percent.

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

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

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

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

35 (6) Upon every person engaging within this state in business as an
36 international steamship agent, international customs house broker,
37 international freight forwarder, vessel and/or cargo charter broker in
38 foreign commerce, and/or international air cargo agent; as to such

1 persons the amount of the tax with respect to only international
2 activities is equal to the gross income derived from such activities
3 multiplied by the rate of 0.275 percent.

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

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

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

5 (9) Upon every person engaging within this state as an insurance
6 producer or title insurance agent licensed under chapter 48.17 RCW or
7 a surplus line broker licensed under chapter 48.15 RCW; as to such
8 persons, the amount of the tax with respect to such licensed activities
9 is equal to the gross income of such business multiplied by the rate of
10 0.484 percent.

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

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

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

29 (b) Beginning July 1, 2008, upon every person who is not eligible
30 to report under the provisions of (a) of this subsection (11) and is
31 engaging within this state in the business of manufacturing tooling
32 specifically designed for use in manufacturing commercial airplanes or
33 components of such airplanes, or making sales, at retail or wholesale,
34 of such tooling manufactured by the seller, as to such persons the
35 amount of tax with respect to such business is, in the case of
36 manufacturers, equal to the value of the product manufactured and the
37 gross proceeds of sales of the product manufactured, or in the case of

1 processors for hire, be equal to the gross income of the business,
2 multiplied by the rate of 0.2904 percent.

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

5 (d) In addition to all other requirements under this title, a
6 person reporting under the tax rate provided in this subsection (11)
7 must file a complete annual report with the department under RCW
8 82.32.534.

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

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

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

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

1 July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1,
2 2007, through June 30, 2024.

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

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

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

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

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

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

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

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

12 (v) "Timber products" means:

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

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

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

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

24 (f) Except for small harvesters as defined in RCW 84.33.035, a
25 person reporting under the tax rate provided in this subsection (12)
26 must file a complete annual survey with the department under RCW
27 82.32.585.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such
36 persons the amount of tax with respect to the business is equal to the
37 value of wood biomass fuel manufactured, multiplied by the rate of
38 0.138 percent.

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

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

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

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

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

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

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

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

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

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

33 (10) Upon every person engaging within this state in business as a
34 hospital, as defined in chapter 70.41 RCW, that is operated as a
35 nonprofit corporation or by the state or any of its political
36 subdivisions, as to such persons, the amount of tax with respect to
37 such activities is equal to the gross income of the business multiplied

1 by the rate of 0.75 percent through June 30, 1995, and 1.5 percent
2 thereafter.

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

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

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

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

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

27 (d) In addition to all other requirements under this title, a
28 person reporting under the tax rate provided in this subsection (11)
29 must file a complete annual report with the department under RCW
30 82.32.534.

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

33 (ii) With respect to the manufacturing of commercial airplanes or
34 making sales, at retail or wholesale, of commercial airplanes, this
35 subsection (11) does not apply on and after July 1st of the year in
36 which the department makes a determination that any final assembly or
37 wing assembly of any version or variant of a commercial airplane that
38 is the basis of a siting of a significant commercial airplane

1 manufacturing program in the state under RCW 82.32.850 has been sited
2 outside the state of Washington. This subsection (11)(e)(ii) only
3 applies to the manufacturing or sale of commercial airplanes that are
4 the basis of a siting of a significant commercial airplane
5 manufacturing program in the state under RCW 82.32.850.

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

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

24 (c) Until July 1, 2024, upon every person engaging within this
25 state in the business of selling at wholesale: (i) Timber extracted by
26 that person; (ii) timber products manufactured by that person from
27 timber or other timber products; or (iii) wood products manufactured by
28 that person from timber or timber products; as to such persons the
29 amount of the tax with respect to the business is equal to the gross
30 proceeds of sales of the timber, timber products, or wood products
31 multiplied by the rate of 0.4235 percent from July 1, 2006, through
32 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
33 2024.

34 (d) Until July 1, 2024, upon every person engaging within this
35 state in the business of selling standing timber; as to such persons
36 the amount of the tax with respect to the business is equal to the
37 gross income of the business multiplied by the rate of 0.2904 percent.
38 For purposes of this subsection (12)(d), "selling standing timber"

1 means the sale of timber apart from the land, where the buyer is
2 required to sever the timber within thirty months from the date of the
3 original contract, regardless of the method of payment for the timber
4 and whether title to the timber transfers before, upon, or after
5 severance.

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

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

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

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

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

32 (v) "Timber products" means:

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

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

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

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

7 (f) Except for small harvesters as defined in RCW 84.33.035, a
8 person reporting under the tax rate provided in this subsection (12)
9 must file a complete annual survey with the department under RCW
10 82.32.585.

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

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

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

23 **Sec. 7.** RCW 82.04.330 and 2001 c 118 s 3 are each amended to read
24 as follows:

25 (1) This chapter (~~shall~~) does not apply to any farmer (~~that~~
26 ~~sells~~) in respect to the sale of any agricultural product at wholesale
27 or to any farmer who grows, raises, or produces agricultural products
28 owned by others, such as custom feed operations. This exemption
29 (~~shall~~) does not apply to any person selling such products at retail
30 or to any person selling manufactured substances or articles.

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

35 **Sec. 8.** RCW 82.04.331 and 1998 c 170 s 2 are each amended to read
36 as follows:

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

6 (2) For the purposes of this section, "seed" means seed potatoes
7 and all other "agricultural seed" as defined in RCW 15.49.011. "Seed"
8 does not include "flower seeds" or "vegetable seeds" as defined in RCW
9 15.49.011, or any other seeds or propagative portions of plants used to
10 grow marijuana, ornamental flowers, or ~~((used to grow))~~ any type of
11 bush, moss, fern, shrub, or tree.

12 **Sec. 9.** RCW 82.04.4266 and 2012 2nd sp.s. c 6 s 201 are each
13 amended to read as follows:

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

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

18 (b) Selling at wholesale fruits or vegetables manufactured by the
19 seller by canning, preserving, freezing, processing, or dehydrating
20 fresh fruits or vegetables and sold to purchasers who transport in the
21 ordinary course of business the goods out of this state. A person
22 taking an exemption under this subsection (1)(b) must keep and preserve
23 records for the period required by RCW 82.32.070 establishing that the
24 goods were transported by the purchaser in the ordinary course of
25 business out of this state.

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

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

30 ~~((+3))~~ (4) This section expires July 1, 2015.

31 **Sec. 10.** RCW 82.04.625 and 2007 c 334 s 1 are each amended to read
32 as follows:

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

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

1 (b) Person performing farm management services, contract labor
2 services, services provided with respect to animals that are
3 agricultural products, or any combination of these services, for a
4 farmer or for a person performing custom farming services, when the
5 person performing the farm management services, contract labor
6 services, services with respect to animals, or any combination of these
7 services, and the farmer or person performing custom farming services
8 are related.

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

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

22 (ii) For the purposes of this subsection (2)(a), "specific farming
23 operation" includes specific planting, cultivating, or harvesting
24 activities, or similar specific farming operations. The term does not
25 include veterinary services as defined in RCW 18.92.010; farrier,
26 boarding, training, or appraisal services; artificial insemination or
27 stud services, agricultural consulting services; packing or processing
28 of agricultural products; or pumping or other waste disposal services.

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

33 (c) "Farm management services" means the consultative decisions
34 made for the operations of the farm including, but not limited to,
35 determining which crops to plant, the choice and timing of application
36 of fertilizers and chemicals, the horticultural practices to apply, the
37 marketing of crops and livestock, and the care and feeding of animals.

1 "Farm management services" does not include any services related to the
2 growing, raising, or producing of marijuana.

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

6 **Sec. 11.** RCW 82.08.010 and 2010 c 106 s 210 are each amended to
7 read as follows:

8 For the purposes of this chapter:

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

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

32 (b) "Selling price" or "sales price" does not include: Discounts,
33 including cash, term, or coupons that are not reimbursed by a third
34 party that are allowed by a seller and taken by a purchaser on a sale;
35 interest, financing, and carrying charges from credit extended on the
36 sale of tangible personal property, extended warranties, digital goods,
37 digital codes, digital automated services, or other services or

1 anything else defined as a retail sale in RCW 82.04.050, if the amount
2 is separately stated on the invoice, bill of sale, or similar document
3 given to the purchaser; and any taxes legally imposed directly on the
4 consumer that are separately stated on the invoice, bill of sale, or
5 similar document given to the purchaser;

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

8 (i) The seller actually receives consideration from a party other
9 than the purchaser, and the consideration is directly related to a
10 price reduction or discount on the sale;

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

13 (iii) The amount of the consideration attributable to the sale is
14 fixed and determinable by the seller at the time of the sale of the
15 item to the purchaser; and

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

17 (A) The purchaser presents a coupon, certificate, or other
18 documentation to the seller to claim a price reduction or discount
19 where the coupon, certificate, or documentation is authorized,
20 distributed, or granted by a third party with the understanding that
21 the third party will reimburse any seller to whom the coupon,
22 certificate, or documentation is presented;

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

27 (C) The price reduction or discount is identified as a third party
28 price reduction or discount on the invoice received by the purchaser or
29 on a coupon, certificate, or other documentation presented by the
30 purchaser;

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

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

37 (ii) A professional employer organization when a covered employee
38 coemployed with the client under the terms of a professional employer

1 agreement engages in activities that constitute a sale at retail that
2 is subject to the tax imposed by this chapter. In such cases, the
3 client, and not the professional employer organization, is deemed to be
4 the seller and is responsible for collecting and remitting the tax
5 imposed by this chapter.

6 (b) For the purposes of (a) of this subsection, the terms "client,"
7 "covered employee," "professional employer agreement," and
8 "professional employer organization" have the same meanings as in RCW
9 82.04.540;

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

20 (4) "Delivery charges" means charges by the seller of personal
21 property or services for preparation and delivery to a location
22 designated by the purchaser of personal property or services including,
23 but not limited to, transportation, shipping, postage, handling,
24 crating, and packing;

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

34 (6) The meaning attributed in chapter 82.04 RCW to the terms "tax
35 year," "taxable year," "person," "company," "sale," "sale at
36 wholesale," "wholesale," "business," "engaging in business," "cash
37 discount," "successor," "consumer," "in this state," (~~and~~) "within

1 this state," marijuana, useable marijuana, and marijuana-infused
2 products applies equally to the provisions of this chapter;

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

9 (8) "Extended warranty" has the same meaning as in RCW
10 82.04.050(7);

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

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

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

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

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

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

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

31 **Sec. 12.** RCW 82.08.020 and 2011 c 171 s 120 are each amended to
32 read as follows:

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

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

1 (b) Digital goods, digital codes, and digital automated services,
2 if the sale is included within the RCW 82.04.050 definition of retail
3 sale;

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

6 (d) Extended warranties to consumers; and

7 (e) Anything else, the sale of which is included within the RCW
8 82.04.050 definition of retail sale.

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

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

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

22 (a) Farm tractors or farm vehicles as defined in RCW 46.04.180 and
23 46.04.181, unless the farm tractor or farm vehicle is for use in the
24 production of marijuana;

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

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

27 (d) Snowmobiles as defined in RCW 46.04.546.

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

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

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

1 **Sec. 13.** RCW 82.08.02565 and 2011 c 23 s 2 are each amended to
2 read as follows:

3 (1)(a) The tax levied by RCW 82.08.020 does not apply to sales to
4 a manufacturer or processor for hire of machinery and equipment used
5 directly in a manufacturing operation or research and development
6 operation, to sales to a person engaged in testing for a manufacturer
7 or processor for hire of machinery and equipment used directly in a
8 testing operation, or to sales of or charges made for labor and
9 services rendered in respect to installing, repairing, cleaning,
10 altering, or improving the machinery and equipment.

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

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

16 (a) "Machinery and equipment" means industrial fixtures, devices,
17 and support facilities, and tangible personal property that becomes an
18 ingredient or component thereof, including repair parts and replacement
19 parts. "Machinery and equipment" includes pollution control equipment
20 installed and used in a manufacturing operation, testing operation, or
21 research and development operation to prevent air pollution, water
22 pollution, or contamination that might otherwise result from the
23 manufacturing operation, testing operation, or research and development
24 operation. "Machinery and equipment" also includes digital goods.

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

26 (i) Hand-powered tools;

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

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

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

35 (c) Machinery and equipment is "used directly" in a manufacturing
36 operation, testing operation, or research and development operation if
37 the machinery and equipment:

1 (i) Acts upon or interacts with an item of tangible personal
2 property;

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

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

7 (iv) Provides physical support for or access to tangible personal
8 property;

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

10 (vi) Produces another item of tangible personal property for use in
11 the manufacturing operation, testing operation, or research and
12 development operation;

13 (vii) Places tangible personal property in the container, package,
14 or wrapping in which the tangible personal property is normally sold or
15 transported; or

16 (viii) Is integral to research and development as defined in RCW
17 82.63.010.

18 (d) "Manufacturer" means a person that qualifies as a manufacturer
19 under RCW 82.04.110. "Manufacturer" also includes a person that prints
20 newspapers or other materials.

21 (e) "Manufacturing" means only those activities that come within
22 the definition of "to manufacture" in RCW 82.04.120 and are taxed as
23 manufacturing or processing for hire under chapter 82.04 RCW, or would
24 be taxed as such if such activity were conducted in this state or if
25 not for an exemption or deduction. "Manufacturing" also includes
26 printing newspapers or other materials. An activity is not taxed as
27 manufacturing or processing for hire under chapter 82.04 RCW if the
28 activity is within the purview of chapter 82.16 RCW.

29 (f) "Manufacturing operation" means the manufacturing of articles,
30 substances, or commodities for sale as tangible personal property. A
31 manufacturing operation begins at the point where the raw materials
32 enter the manufacturing site and ends at the point where the processed
33 material leaves the manufacturing site. With respect to the production
34 of class A or exceptional quality biosolids by a wastewater treatment
35 facility, the manufacturing operation begins at the point where class
36 B biosolids undergo additional processing to achieve class A or
37 exceptional quality standards. Notwithstanding anything to the
38 contrary in this section, the term also includes that portion of a

1 cogeneration project that is used to generate power for consumption
2 within the manufacturing site of which the cogeneration project is an
3 integral part. The term does not include the preparation of food
4 products on the premises of a person selling food products at retail.

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

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

10 (i) "Testing" means activities performed to establish or determine
11 the properties, qualities, and limitations of tangible personal
12 property.

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

25 (3) This section does not apply (a) to sales of machinery and
26 equipment used directly in the manufacturing, research and development,
27 or testing of marijuana, useable marijuana, or marijuana-infused
28 products, or (b) to sales of or charges made for labor and services
29 rendered in respect to installing, repairing, cleaning, altering, or
30 improving such machinery and equipment.

31 **Sec. 14.** RCW 82.12.02565 and 2003 c 5 s 5 are each amended to read
32 as follows:

33 (1) The provisions of this chapter (~~shall~~) do not apply in
34 respect to the use by a manufacturer or processor for hire of machinery
35 and equipment used directly in a manufacturing operation or research
36 and development operation, to the use by a person engaged in testing
37 for a manufacturer or processor for hire of machinery and equipment

1 used directly in a testing operation, or to the use of labor and
2 services rendered in respect to installing, repairing, cleaning,
3 altering, or improving the machinery and equipment.

4 (2) This section does not apply to the use of (a) machinery and
5 equipment used directly in the manufacturing, research and development,
6 or testing of marijuana, useable marijuana, or marijuana-infused
7 products, or (b) labor and services rendered in respect to installing,
8 repairing, cleaning, altering, or improving such machinery and
9 equipment.

10 **Sec. 15.** RCW 82.08.0257 and 2009 c 535 s 511 are each amended to
11 read as follows:

12 The tax levied by RCW 82.08.020 does not apply to auction sales
13 made by or through auctioneers of personal property (including
14 household goods) that has been used in conducting a farm activity, when
15 the seller thereof is a farmer as defined in RCW 82.04.213 and the sale
16 is held or conducted upon a farm and not otherwise. The exemption in
17 this section does not apply to personal property used by the seller in
18 the production of marijuana, useable marijuana, or marijuana-infused
19 products.

20 **Sec. 16.** RCW 82.12.0258 and 2009 c 535 s 612 are each amended to
21 read as follows:

22 The provisions of this chapter do not apply in respect to the use
23 of personal property (including household goods) that has been used in
24 conducting a farm activity, if such property was purchased from a
25 farmer as defined in RCW 82.04.213 at an auction sale held or conducted
26 by an auctioneer upon a farm and not otherwise. The exemption in this
27 section does not apply to personal property used by the seller in the
28 production of marijuana, useable marijuana, or marijuana-infused
29 products.

30 **Sec. 17.** RCW 82.08.0273 and 2011 c 7 s 1 are each amended to read
31 as follows:

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

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

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

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

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

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

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

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

35 (b) Acceptable proof of a nonresident person's status includes one
36 piece of identification such as a valid driver's license from the
37 jurisdiction in which the out-of-state residency is claimed or a valid
38 identification card which has a photograph of the holder and is issued

1 by the out-of-state jurisdiction. Identification under this subsection
2 (3)(b) must show the holder's residential address and have as one of
3 its legal purposes the establishment of residency in that out-of-state
4 jurisdiction.

5 (c) In lieu of furnishing proof of a person's nonresident status
6 under (b) of this subsection (3), a person claiming exemption from
7 retail sales tax under the provisions of this section may provide the
8 seller with an exemption certificate in compliance with subsection
9 (4)(b) of this section.

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

21 (b) In lieu of using the method provided in (a) of this subsection
22 to document an exempt sale to a nonresident, a seller may accept from
23 the purchaser a properly completed uniform exemption certificate
24 approved by the streamlined sales and use tax agreement governing board
25 or any other exemption certificate as may be authorized by the
26 department and properly completed by the purchaser. A nonresident
27 purchaser who uses an exemption certificate authorized in this
28 subsection (4)(b) must include the purchaser's driver's license number
29 or other state-issued identification number and the state of issuance.

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

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

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

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

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

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

20 **Sec. 18.** RCW 82.08.02745 and 2007 c 54 s 14 are each amended to
21 read as follows:

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

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

1 (3) Any agricultural employee housing built under this section
2 (~~shall~~) must be used according to this section for at least five
3 consecutive years from the date the housing is approved for occupancy,
4 or the full amount of tax otherwise due (~~shall be~~) is immediately due
5 and payable together with interest, but not penalties, from the date
6 the housing is approved for occupancy until the date of payment. If at
7 any time agricultural employee housing that is not located on
8 agricultural land ceases to be used in the manner specified in
9 subsection (2) of this section, the full amount of tax otherwise due
10 (~~shall be~~) is immediately due and payable with interest, but not
11 penalties, from the date the housing ceases to be used as agricultural
12 employee housing until the date of payment.

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

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

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

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

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

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

36 (ii) Housing provided by a housing authority unless at least eighty
37 percent of the occupants are agricultural employees whose adjusted

1 income is less than fifty percent of median family income, adjusted for
2 household size, for the county where the housing is provided; and
3 (iii) Housing provided to agricultural employees providing services
4 related to the growing, raising, or producing of marijuana.

5 **Sec. 19.** RCW 82.08.0281 and 2004 c 153 s 108 are each amended to
6 read as follows:

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

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

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

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

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

25 (b) "Drug" means a compound, substance, or preparation, and any
26 component of a compound, substance, or preparation, other than food and
27 food ingredients, dietary supplements, or alcoholic beverages,
28 marijuana, useable marijuana, or marijuana-infused products:

29 (i) Recognized in the official United States pharmacopoeia,
30 official homeopathic pharmacopoeia of the United States, or official
31 national formulary, or any supplement to any of them; or

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

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

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

- 1 (i) A "drug facts" panel; or
2 (ii) A statement of the "active ingredient(s)" with a list of those
3 ingredients contained in the compound, substance, or preparation.

4 **Sec. 20.** RCW 82.08.0288 and 1983 1st ex.s. c 55 s 5 are each
5 amended to read as follows:

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

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

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

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

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

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

19 **Sec. 21.** RCW 82.12.0283 and 1983 1st ex.s. c 55 s 6 are each
20 amended to read as follows:

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

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

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

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

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

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

34 **Sec. 22.** RCW 82.08.0293 and 2011 c 2 s 301 are each amended to
35 read as follows:

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

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

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

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

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

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

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

20 (A) A vitamin;

21 (B) A mineral;

22 (C) An herb or other botanical;

23 (D) An amino acid;

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

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

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

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

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

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

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

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

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

9 (II) Raw eggs, fish, meat, poultry, and foods containing these raw
10 animal foods requiring cooking by the consumer as recommended by the
11 federal food and drug administration in chapter 3, part 401.11 of The
12 Food Code, published by the food and drug administration, as amended or
13 renumbered as of January 1, 2003, so as to prevent foodborne illness.

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

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

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

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

26 (c) "Soft drinks" means nonalcoholic beverages that contain natural
27 or artificial sweeteners. Soft drinks do not include beverages that
28 contain: Milk or milk products; soy, rice, or similar milk
29 substitutes; or greater than fifty percent of vegetable or fruit juice
30 by volume.

31 (3) Notwithstanding anything in this section to the contrary, the
32 exemption of "food and food ingredients" provided in this section
33 applies to food and food ingredients that are furnished, prepared, or
34 served as meals:

35 (a) Under a state administered nutrition program for the aged as
36 provided for in the older Americans act (P.L. 95-478 Title III) and RCW
37 74.38.040(6);

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

4 (c) That are provided to residents, sixty-two years of age or
5 older, of a qualified low-income senior housing facility by the lessor
6 or operator of the facility. The sale of a meal that is billed to both
7 spouses of a marital community or both domestic partners of a domestic
8 partnership meets the age requirement in this subsection (3)(c) if at
9 least one of the spouses or domestic partners is at least sixty-two
10 years of age. For purposes of this subsection, "qualified low-income
11 senior housing facility" means a facility:

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

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

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

19 (4)(a) Subsection (1) of this section notwithstanding, the retail
20 sale of food and food ingredients is subject to sales tax under RCW
21 82.08.020 if the food and food ingredients are sold through a vending
22 machine. Except as provided in (b) of this subsection, the selling
23 price of food and food ingredients sold through a vending machine for
24 purposes of RCW 82.08.020 is fifty-seven percent of the gross receipts.

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

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

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

35 (1) Wholesalers or third-party warehouseers who own or operate
36 warehouses or grain elevators and retailers who own or operate

1 distribution centers, and who have paid the tax levied by RCW 82.08.020
2 on:

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

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

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

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

13 (b) "Construction" means the actual construction of a warehouse or
14 grain elevator that did not exist before the construction began.
15 "Construction" includes expansion if the expansion adds at least two
16 hundred thousand square feet of additional space to an existing
17 warehouse or additional storage capacity of at least one million
18 bushels to an existing grain elevator. "Construction" does not include
19 renovation, remodeling, or repair;

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

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

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

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

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

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

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

36 (g) "Material-handling equipment and racking equipment" means
37 equipment in a warehouse or grain elevator that is primarily used to
38 handle, store, organize, convey, package, or repackage finished goods.

1 The term includes tangible personal property with a useful life of one
2 year or more that becomes an ingredient or component of the equipment,
3 including repair and replacement parts. The term does not include
4 equipment in offices, lunchrooms, restrooms, and other like space,
5 within a warehouse or grain elevator, or equipment used for
6 nonwarehousing purposes. "Material-handling equipment" includes but is
7 not limited to: Conveyers, carousels, lifts, positioners, pick-up-and-
8 place units, cranes, hoists, mechanical arms, and robots; mechanized
9 systems, including containers that are an integral part of the system,
10 whose purpose is to lift or move tangible personal property; and
11 automated handling, storage, and retrieval systems, including computers
12 that control them, whose purpose is to lift or move tangible personal
13 property; and forklifts and other off-the-road vehicles that are used
14 to lift or move tangible personal property and that cannot be operated
15 legally on roads and streets. "Racking equipment" includes, but is not
16 limited to, conveying systems, chutes, shelves, racks, bins, drawers,
17 pallets, and other containers and storage devices that form a necessary
18 part of the storage system;

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

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

22 (j) "Square footage" means the product of the two horizontal
23 dimensions of each floor of a specific warehouse. The entire footprint
24 of the warehouse (~~shall~~) must be measured in calculating the square
25 footage, including space that juts out from the building profile such
26 as loading docks. "Square footage" does not mean the aggregate of the
27 square footage of more than one warehouse at a location or the
28 aggregate of the square footage of warehouses at more than one
29 location;

30 (k) "Third-party warehouser" means a person taxable under RCW
31 82.04.280(1)(d);

32 (l) "Warehouse" means an enclosed building or structure in which
33 finished goods are stored. A warehouse building or structure may have
34 more than one storage room and more than one floor. Office space,
35 lunchrooms, restrooms, and other space within the warehouse and
36 necessary for the operation of the warehouse are considered part of the
37 warehouse as are loading docks and other such space attached to the
38 building and used for handling of finished goods. Landscaping and

1 parking lots are not considered part of the warehouse. A storage yard
2 is not a warehouse, nor is a building in which manufacturing takes
3 place; and

4 (m) "Wholesaler" means a person who makes "sales at wholesale" as
5 defined in chapter 82.04 RCW of tangible personal property, but
6 "wholesaler" does not include a person who makes sales exempt under RCW
7 82.04.330.

8 (3)(a) A person claiming an exemption from state tax in the form of
9 a remittance under this section must pay the tax imposed by RCW
10 82.08.020. The buyer may then apply to the department for remittance
11 of all or part of the tax paid under RCW 82.08.020. For grain
12 elevators with bushel capacity of one million but less than two
13 million, the remittance is equal to fifty percent of the amount of tax
14 paid. For warehouses with square footage of two hundred thousand or
15 more and for grain elevators with bushel capacity of two million or
16 more, the remittance is equal to one hundred percent of the amount of
17 tax paid for qualifying construction, materials, service, and labor,
18 and fifty percent of the amount of tax paid for qualifying material-
19 handling equipment and racking equipment, and labor and services
20 rendered in respect to installing, repairing, cleaning, altering, or
21 improving the equipment.

22 (b) The department (~~shall~~) must determine eligibility under this
23 section based on information provided by the buyer and through audit
24 and other administrative records. The buyer (~~shall~~) must on a
25 quarterly basis submit an information sheet, in a form and manner as
26 required by the department by rule, specifying the amount of exempted
27 tax claimed and the qualifying purchases or acquisitions for which the
28 exemption is claimed. The buyer (~~shall~~) must retain, in adequate
29 detail to enable the department to determine whether the equipment or
30 construction meets the criteria under this section: Invoices; proof of
31 tax paid; documents describing the material-handling equipment and
32 racking equipment; location and size of warehouses and grain elevators;
33 and construction invoices and documents.

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

37 (4) Warehouses, grain elevators, and material-handling equipment
38 and racking equipment for which an exemption, credit, or deferral has

1 been or is being received under chapter 82.60, 82.62, or 82.63 RCW or
2 RCW 82.08.02565 or 82.12.02565 are not eligible for any remittance
3 under this section. Warehouses and grain elevators upon which
4 construction was initiated before May 20, 1997, are not eligible for a
5 remittance under this section.

6 (5) The lessor or owner of a warehouse or grain elevator is not
7 eligible for a remittance under this section unless the underlying
8 ownership of the warehouse or grain elevator and the material-handling
9 equipment and racking equipment vests exclusively in the same person,
10 or unless the lessor by written contract agrees to pass the economic
11 benefit of the remittance to the lessee in the form of reduced rent
12 payments.

13 **Sec. 24.** RCW 82.14.430 and 2011 c 171 s 123 are each amended to
14 read as follows:

15 (1) If approved by the majority of the voters within its boundaries
16 voting on the ballot proposition, a regional transportation investment
17 district may impose a sales and use tax of up to 0.1 percent of the
18 selling price or value of the article used in the case of a use tax.
19 The tax authorized by this section is in addition to the tax authorized
20 by RCW 82.14.030 and must be collected from those persons who are
21 taxable by the state under chapters 82.08 and 82.12 RCW upon the
22 occurrence of any taxable event within the taxing district. Motor
23 vehicles are exempt from the sales and use tax imposed under this
24 subsection.

25 (2) If approved by the majority of the voters within its boundaries
26 voting on the ballot proposition, a regional transportation investment
27 district may impose a tax on the use of a motor vehicle within a
28 regional transportation investment district. The tax applies to those
29 persons who reside within the regional transportation investment
30 district. The rate of the tax may not exceed 0.1 percent of the value
31 of the motor vehicle. The tax authorized by this subsection is in
32 addition to the tax authorized under RCW 82.14.030 and must be imposed
33 and collected at the time a taxable event under RCW 82.08.020(1) or
34 82.12.020 takes place. All revenue received under this subsection must
35 be deposited in the local sales and use tax account and distributed to
36 the regional transportation investment district according to RCW

1 82.14.050. The following provisions apply to the use tax in this
2 subsection:

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

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

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

10 (i) Farm tractors or farm vehicles as defined in RCW 46.04.180 and
11 46.04.181, unless the farm tractor or farm vehicle is for use in the
12 production of marijuana;

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

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

15 (iv) Snowmobiles as defined in RCW 46.04.546.

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

17 (e) The value of a motor vehicle must be determined under RCW
18 82.12.010.

19 (f) Except as specifically stated in this subsection (2), chapters
20 82.12 and 82.32 RCW apply to the use tax. The use tax is a local tax
21 imposed under the authority of chapter 82.14 RCW, and chapter 82.14 RCW
22 applies fully to the use tax.

23 (3) In addition to fulfilling the notice requirements under RCW
24 82.14.055(1), and unless waived by the department, a regional
25 transportation investment district (~~shall~~) must provide the
26 department of revenue with digital mapping and legal descriptions of
27 areas in which the tax will be collected.

28 **Sec. 25.** RCW 82.16.050 and 2007 c 330 s 1 are each amended to read
29 as follows:

30 In computing tax there may be deducted from the gross income the
31 following items:

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

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

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

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

14 (5) The amount of bad debts, as that term is used in 26 U.S.C. Sec.
15 166, as amended or renumbered as of January 1, 2003, on which tax was
16 previously paid under this chapter;

17 (6) Amounts derived from business which the state is prohibited
18 from taxing under the Constitution of this state or the Constitution or
19 laws of the United States;

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

23 (8) Amounts derived from the transportation of commodities from
24 points of origin in this state to final destination outside this state,
25 or from points of origin outside this state to final destination in
26 this state, with respect to which the carrier grants to the shipper the
27 privilege of stopping the shipment in transit at some point in this
28 state for the purpose of storing, manufacturing, milling, or other
29 processing, and thereafter forwards the same commodity, or its
30 equivalent, in the same or converted form, under a through freight rate
31 from point of origin to final destination;

32 (9) Amounts derived from the transportation of commodities from
33 points of origin in the state to an export elevator, wharf, dock or
34 ship side on tidewater or its navigable tributaries to be forwarded,
35 without intervening transportation, by vessel, in their original form,
36 to interstate or foreign destinations. No deduction is allowed under
37 this subsection when the point of origin and the point of delivery to

1 the export elevator, wharf, dock, or ship side are located within the
2 corporate limits of the same city or town;

3 (10) Amounts derived from the transportation of agricultural
4 commodities, not including manufactured substances or articles, from
5 points of origin in the state to interim storage facilities in this
6 state for transshipment, without intervening transportation, to an
7 export elevator, wharf, dock, or ship side on tidewater or its
8 navigable tributaries to be forwarded, without intervening
9 transportation, by vessel, in their original form, to interstate or
10 foreign destinations. If agricultural commodities are transshipped
11 from interim storage facilities in this state to storage facilities at
12 a port on tidewater or its navigable tributaries, the same agricultural
13 commodity dealer must operate both the interim storage facilities and
14 the storage facilities at the port.

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

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

24 (ii) Any of the agricultural commodity that is transshipped to
25 ports on tidewater or its navigable tributaries will be received at
26 storage facilities operated by the same agricultural commodity dealer
27 and will be shipped from such facilities, without intervening
28 transportation, by vessel, in their original form, to interstate or
29 foreign destinations.

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

32 (11) Amounts derived from the production, sale, or transfer of
33 electrical energy for resale within or outside the state or for
34 consumption outside the state;

35 (12) Amounts derived from the distribution of water by a nonprofit
36 water association and used for capital improvements by that nonprofit
37 water association;

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

4 (14) Amounts derived from fees or charges imposed on persons for
5 transit services provided by a public transportation agency. For the
6 purposes of this subsection, "public transportation agency" means a
7 municipality, as defined in RCW 35.58.272, and urban public
8 transportation systems, as defined in RCW 47.04.082. Public
9 transportation agencies (~~shall~~) must spend an amount equal to the
10 reduction in tax provided by this tax deduction solely to adjust routes
11 to improve access for citizens using food banks and senior citizen
12 services or to extend or add new routes to assist low-income citizens
13 and seniors.

14 **Sec. 26.** RCW 82.29A.020 and 2012 2nd sp.s. c 6 s 501 are each
15 amended to read as follows:

16 The definitions in this section apply throughout this chapter
17 unless the context requires otherwise.

18 (1) "Leasehold interest" means an interest in publicly owned real
19 or personal property which exists by virtue of any lease, permit,
20 license, or any other agreement, written or verbal, between the public
21 owner of the property and a person who would not be exempt from
22 property taxes if that person owned the property in fee, granting
23 possession and use, to a degree less than fee simple ownership.
24 However, no interest in personal property (excluding land or buildings)
25 which is owned by the United States, whether or not as trustee, or by
26 any foreign government may constitute a leasehold interest hereunder
27 when the right to use such property is granted pursuant to a contract
28 solely for the manufacture or production of articles for sale to the
29 United States or any foreign government. The term "leasehold interest"
30 includes the rights of use or occupancy by others of property which is
31 owned in fee or held in trust by a public corporation, commission, or
32 authority created under RCW 35.21.730 or 35.21.660 if the property is
33 listed on or is within a district listed on any federal or state
34 register of historical sites. The term "leasehold interest" does not
35 include road or utility easements, rights of access, occupancy, or use
36 granted solely for the purpose of removing materials or products
37 purchased from a public owner or the lessee of a public owner, or

1 rights of access, occupancy, or use granted solely for the purpose of
2 natural energy resource exploration. "Leasehold interest" does not
3 include the preferential use of publicly owned cargo cranes and docks
4 and associated areas used in the loading and discharging of cargo
5 located at a port district marine facility. "Preferential use" means
6 that publicly owned real or personal property is used by a private
7 party under a written agreement with the public owner, but the public
8 owner or any third party maintains a right to use the property when not
9 being used by the private party.

10 (2)(a) "Taxable rent" means contract rent as defined in (c) of this
11 subsection in all cases where the lease or agreement has been
12 established or renegotiated through competitive bidding, or negotiated
13 or renegotiated in accordance with statutory requirements regarding the
14 rent payable, or negotiated or renegotiated under circumstances,
15 established by public record, clearly showing that the contract rent
16 was the maximum attainable by the lessor. However, after January 1,
17 1986, with respect to any lease which has been in effect for ten years
18 or more without renegotiation, taxable rent may be established by
19 procedures set forth in (g) of this subsection. All other leasehold
20 interests are subject to the determination of taxable rent under the
21 terms of (g) of this subsection.

22 (b) For purposes of determining leasehold excise tax on any lands
23 on the Hanford reservation subleased to a private or public entity by
24 the department of ecology, taxable rent includes only the annual cash
25 rental payment made by such entity to the department of ecology as
26 specifically referred to as rent in the sublease agreement between the
27 parties and does not include any other fees, assessments, or charges
28 imposed on or collected by such entity irrespective of whether the
29 private or public entity pays or collects such other fees, assessments,
30 or charges as specified in the sublease agreement.

31 (c) "Contract rent" means the amount of consideration due as
32 payment for a leasehold interest, including: The total of cash
33 payments made to the lessor or to another party for the benefit of the
34 lessor according to the requirements of the lease or agreement,
35 including any rents paid by a sublessee; expenditures for the
36 protection of the lessor's interest when required by the terms of the
37 lease or agreement; and expenditures for improvements to the property
38 to the extent that such improvements become the property of the lessor.

1 Where the consideration conveyed for the leasehold interest is made in
2 combination with payment for concession or other rights granted by the
3 lessor, only that portion of such payment which represents
4 consideration for the leasehold interest is part of contract rent.

5 (d) "Contract rent" does not include: (i) Expenditures made by the
6 lessee, which under the terms of the lease or agreement, are to be
7 reimbursed by the lessor to the lessee or expenditures for improvements
8 and protection made pursuant to a lease or an agreement which requires
9 that the use of the improved property be open to the general public and
10 that no profit will inure to the lessee from the lease; (ii)
11 expenditures made by the lessee for the replacement or repair of
12 facilities due to fire or other casualty including payments for
13 insurance to provide reimbursement for losses or payments to a public
14 or private entity for protection of such property from damage or loss
15 or for alterations or additions made necessary by an action of
16 government taken after the date of the execution of the lease or
17 agreement; (iii) improvements added to publicly owned property by a
18 sublessee under an agreement executed prior to January 1, 1976, which
19 have been taxed as personal property of the sublessee prior to January
20 1, 1976, or improvements made by a sublessee of the same lessee under
21 a similar agreement executed prior to January 1, 1976, and such
22 improvements are taxable to the sublessee as personal property; (iv)
23 improvements added to publicly owned property if such improvements are
24 being taxed as personal property to any person.

25 (e) Any prepaid contract rent is considered to have been paid in
26 the year due and not in the year actually paid with respect to
27 prepayment for a period of more than one year. Expenditures for
28 improvements with a useful life of more than one year which are
29 included as part of contract rent must be treated as prepaid contract
30 rent and prorated over the useful life of the improvement or the
31 remaining term of the lease or agreement if the useful life is in
32 excess of the remaining term of the lease or agreement. Rent prepaid
33 prior to January 1, 1976, must be prorated from the date of prepayment.

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

36 (g) If it is determined by the department of revenue, upon
37 examination of a lessee's accounts or those of a lessor of publicly
38 owned property, that a lessee is occupying or using publicly owned

1 property in such a manner as to create a leasehold interest and that
2 such leasehold interest has not been established through competitive
3 bidding, or negotiated in accordance with statutory requirements
4 regarding the rent payable, or negotiated under circumstances,
5 established by public record, clearly showing that the contract rent
6 was the maximum attainable by the lessor, the department may establish
7 a taxable rent computation for use in determining the tax payable under
8 authority granted in this chapter based upon the following criteria:
9 (i) Consideration must be given to rental being paid to other lessors
10 by lessees of similar property for similar purposes over similar
11 periods of time; (ii) consideration must be given to what would be
12 considered a fair rate of return on the market value of the property
13 leased less reasonable deductions for any restrictions on use, special
14 operating requirements or provisions for concurrent use by the lessor,
15 another person or the general public.

16 (3) "Product lease" as used in this chapter means a lease of
17 property for use in the production of agricultural or marine products,
18 not including the production of marijuana as defined in RCW 69.50.101,
19 to the extent that such lease provides for the contract rent to be paid
20 by the delivery of a stated percentage of the production of such
21 agricultural or marine products to the credit of the lessor or the
22 payment to the lessor of a stated percentage of the proceeds from the
23 sale of such products.

24 (4) "Renegotiated" means a change in the lease agreement which
25 changes the agreed time of possession, restrictions on use, the rate of
26 the cash rental or of any other consideration payable by the lessee to
27 or for the benefit of the lessor, other than any such change required
28 by the terms of the lease or agreement. In addition "renegotiated"
29 means a continuation of possession by the lessee beyond the date when,
30 under the terms of the lease agreement, the lessee had the right to
31 vacate the premises without any further liability to the lessor.

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

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

1 NEW SECTION. **Sec. 27.** A new section is added to chapter 84.34 RCW
2 to read as follows:

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

7 **Sec. 28.** RCW 84.36.630 and 2003 c 302 s 7 are each amended to read
8 as follows:

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

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

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

20 **Sec. 29.** RCW 84.40.030 and 2007 c 301 s 2 are each amended to read
21 as follows:

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

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

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

31 (~~(1)~~) (a) Any sales of the property being appraised or similar
32 properties with respect to sales made within the past five years. The
33 appraisal (~~shall~~) must be consistent with the comprehensive land use
34 plan, development regulations under chapter 36.70A RCW, zoning, and any
35 other governmental policies or practices in effect at the time of
36 appraisal that affect the use of property, as well as physical and

1 environmental influences. An assessment may not be determined by a
2 method that assumes a land usage or highest and best use not permitted,
3 for that property being appraised, under existing zoning or land use
4 planning ordinances or statutes or other government restrictions. The
5 appraisal (~~shall~~) must also take into account: (~~(a)~~) (i) In the
6 use of sales by real estate contract as similar sales, the extent, if
7 any, to which the stated selling price has been increased by reason of
8 the down payment, interest rate, or other financing terms; and (~~(b)~~)
9 (ii) the extent to which the sale of a similar property actually
10 represents the general effective market demand for property of such
11 type, in the geographical area in which such property is located.
12 Sales involving deed releases or similar seller-developer financing
13 arrangements (~~shall~~) may not be used as sales of similar property.

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

31 (~~(3)~~) (c) In valuing any tract or parcel of real property, the
32 true and fair value of the land, exclusive of structures thereon
33 (~~shall~~) must be determined; also the true and fair value of
34 structures thereon, but the valuation (~~shall~~) may not exceed the true
35 and fair value of the total property as it exists. In valuing
36 agricultural land, growing crops (~~shall~~) must be excluded. For
37 purposes of this subsection (3)(c), "growing crops" does not include
38 marijuana as defined under RCW 69.50.101.

1 **Sec. 30.** RCW 82.02.010 and 2011 c 298 s 37 are each amended to
2 read as follows:

3 For the purpose of this title, unless the context clearly requires
4 otherwise:

5 (1) "Department" means the department of revenue of the state of
6 Washington;

7 (2) "Director" means the director of the department of revenue of
8 the state of Washington;

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

11 (4) "Taxpayer" includes any individual, group of individuals,
12 corporation, or association liable for any tax or the collection of any
13 tax hereunder, or who engages in any business or performs any act for
14 which a tax is imposed by this title. "Taxpayer" also includes any
15 person liable for any fee or other charge collected by the department
16 under any provision of law, including registration assessments and
17 delinquency fees imposed under RCW 59.30.050; and

18 (~~(4)~~) (5) Words in the singular number include the plural and the
19 plural include the singular. Words in one gender include all other
20 genders.

21 **Sec. 31.** RCW 15.13.270 and 2007 c 335 s 4 are each amended to read
22 as follows:

23 (1) The provisions of this chapter relating to nursery dealer
24 licensing do not apply to: (~~(1)~~) (a) Persons making casual or
25 isolated sales that do not exceed one hundred dollars annually; (~~(2)~~)
26 (b) any garden club, conservation district, or charitable nonprofit
27 association conducting not more than three sales per year for not more
28 than four consecutive days each of horticultural plants which are grown
29 by or donated to its members; (~~(3)~~) (c) educational organizations
30 associated with private or public secondary schools; and (d) the
31 production of marijuana and persons who are licensed as marijuana
32 producers under RCW 69.50.325 with respect to the operations under such
33 license. For the purposes of this subsection, the terms "marijuana"
34 and "marijuana producer" have the same meanings as provided in RCW
35 69.50.101. However, such a club, conservation district, association,
36 or organization (~~shall~~) must apply to the director for a permit to
37 conduct such sales.

1 (2) All horticultural plants sold under such a permit (~~shall~~)
2 must be in compliance with the provisions of this chapter.

3 **Sec. 32.** RCW 15.13.270 and 2000 c 144 s 5 are each amended to read
4 as follows:

5 (1) The provisions of this chapter relating to licensing do not
6 apply to: (~~(1)~~) (a) Persons making casual or isolated sales that do
7 not exceed one hundred dollars annually; (~~(2)~~) (b) any garden club,
8 conservation district, or charitable nonprofit association conducting
9 not more than three sales per year for not more than four consecutive
10 days each of horticultural plants which are grown by or donated to its
11 members; (~~(3)~~) (c) educational organizations associated with private
12 or public secondary schools; and (d) the production of marijuana and
13 persons who are licensed as marijuana producers under RCW 69.50.325
14 with respect to the operations under such license. For the purposes of
15 this subsection, the terms "marijuana" and "marijuana producer" have
16 the same meanings as provided in RCW 69.50.101. However, such a club,
17 conservation district, association, or organization (~~shall~~) must
18 apply to the director for a permit to conduct such sales.

19 (2) All horticultural plants sold under such a permit (~~shall~~)
20 must be in compliance with the provisions of this chapter.

21 **Sec. 33.** RCW 15.17.020 and 1998 c 154 s 2 are each amended to read
22 as follows:

23 For the purpose of this chapter:

24 (1) "Agent" means broker, commission merchant, solicitor, seller,
25 or consignor, and any other person acting upon the actual or implied
26 authority of another.

27 (2) "Certification" means, but is not limited to, the issuance by
28 the director of an inspection certificate or other official document
29 stating the grade, classification, and/or condition of any fruits or
30 vegetables, and/or if the fruits or vegetables are free of plant pests
31 and/or other defects.

32 (3) "Combination grade" means two or more grades packed together as
33 one, except cull grades, with a minimum percent of the product of the
34 higher grade, as established by rule.

35 (4) "Compliance agreement" means an agreement entered into between

1 the department and a shipper or packer, that authorizes the shipper or
2 packer to issue certificates of compliance for fruits and vegetables.

3 (5) "Container" means any container or subcontainer used to
4 prepackage any fruits or vegetables. This does not include a container
5 used by a retailer to package fruits or vegetables sold from a bulk
6 display to a consumer.

7 (6) "Deceptive arrangement or display" means any bulk lot or load,
8 arrangement, or display of fruits or vegetables which has in the
9 exposed surface, fruits or vegetables which are so superior in quality,
10 size, condition, or any other respect to those which are concealed, or
11 the unexposed portion, as to materially misrepresent any part of the
12 bulk lot or load, arrangement, or display.

13 (7) "Deceptive pack" means the pack of any container which has in
14 the outer layer or any exposed surface fruits or vegetables which are
15 in quality, size, condition, or any other respect so superior to those
16 in the interior of the container in the unexposed portion as to
17 materially misrepresent the contents. Such pack is deceptive when the
18 outer or exposed surface is composed of fruits or vegetables whose size
19 is not an accurate representation of the variation of the size of the
20 fruits or vegetables in the entire container, even though the fruits or
21 vegetables in the container are virtually uniform in size or comply
22 with the specific standards adopted under this chapter.

23 (8) "Department" means the department of agriculture of the state
24 of Washington.

25 (9) "Director" means the director of the department or his or her
26 duly authorized representative.

27 (10) "District manager" means a person representing the director in
28 charge of overall operation of a fruit and vegetable inspection
29 district established under RCW 15.17.230.

30 (11) "Facility" means, but is not limited to, the premises where
31 fruits and vegetables are grown, stored, handled, or delivered for sale
32 or transportation, and all vehicles and equipment, whether aerial or
33 surface, used to transport fruits and vegetables.

34 (12) "Fruits and vegetables" means any unprocessed fruits or
35 vegetables, but does not include marijuana as defined in RCW 69.50.101.

36 (13) "Handler" means any person engaged in the business of
37 handling, selling, processing, storing, shipping, or distributing

1 fruits or vegetables that he or she has purchased or acquired from a
2 producer.

3 (14) "Inspection" means, but is not limited to, the inspection by
4 the director of any fruits or vegetables at any time prior to, during,
5 or subsequent to harvest.

6 (15) "Mislabel" means the placing or presence of any false or
7 misleading statement, design, or device upon any wrapper, container,
8 container label or lining, or any placard used in connection with and
9 having reference to fruits or vegetables.

10 (16) "Person" means any individual, firm, partnership, corporation,
11 company, society, or association, and every officer, agent, or employee
12 thereof.

13 (17) "Plant pests" means, but is not limited to, any living stage
14 of any insects, mites, nematodes, slugs, snails, protozoa, or other
15 invertebrate animals, bacteria, fungi, viruses, or any organisms
16 similar to or allied with any of the foregoing, or any infectious
17 substance, which can directly or indirectly injure or cause disease or
18 damage in any plant or parts thereof, or any processed, manufactured,
19 or other products of plants.

20 (18) "Sell" means to sell, offer for sale, hold for sale, or ship
21 or transport in bulk or in containers.

22 (19) "Standards" means grades, classifications, and other
23 inspection criteria for fruits and vegetables.

24 **Sec. 34.** RCW 15.49.061 and 1989 c 354 s 76 are each amended to
25 read as follows:

26 (1) The provisions of this chapter do not apply to marijuana seed.
27 For the purposes of this subsection, "marijuana" has the same meaning
28 as defined in RCW 69.50.101.

29 (2) The provisions of RCW 15.49.011 through 15.49.051 do not apply:

30 (a) To seed or grain not intended for sowing purposes;

31 (b) To seed in storage by, or being transported or consigned to a
32 conditioning establishment for conditioning if the invoice or labeling
33 accompanying the shipment of such seed bears the statement "seeds for
34 conditioning" and if any labeling or other representation that may be
35 made with respect to the unconditioned seed is subject to this chapter;

36 (c) To any carrier with respect to any seed transported or

1 delivered for transportation in the ordinary course of its business as
2 a carrier if the carrier is not engaged in producing, conditioning, or
3 marketing seeds subject to this chapter; or

4 (d) Seed stored or transported by the grower of the seed.

5 ((+2)) (3) No person may be subject to the penalties of this
6 chapter for having sold or offered for sale seeds subject to this
7 chapter that were incorrectly labeled or represented as to kind,
8 species, variety, or type, which seeds cannot be identified by
9 examination thereof, unless he or she has failed to obtain an invoice,
10 genuine grower's declaration, or other labeling information and to take
11 such other precautions as may be reasonable to ensure the identity to
12 be that stated. A genuine grower's declaration of variety shall affirm
13 that the grower holds records of proof concerning parent seed, such as
14 invoice and labels.

15 **Sec. 35.** RCW 20.01.030 and 2013 c 23 s 38 are each amended to read
16 as follows:

17 This chapter does not apply to:

18 (1) Any cooperative marketing associations or federations
19 incorporated under, or whose articles of incorporation and bylaws are
20 equivalent to, the requirements of chapter 23.86 RCW, except as to that
21 portion of the activities of the association or federation that involve
22 the handling or dealing in the agricultural products of nonmembers of
23 the organization: PROVIDED, That the associations or federations may
24 purchase up to fifteen percent of their gross from nonmembers for the
25 purpose of filling orders: PROVIDED FURTHER, That if the cooperative
26 or association acts as a processor as defined in RCW 20.01.500(2) and
27 markets the processed agricultural crops on behalf of the grower or its
28 own behalf, the association or federation is subject to the provisions
29 of RCW 20.01.500 through 20.01.560 and the license provision of this
30 chapter excluding bonding provisions: PROVIDED FURTHER, That none of
31 the foregoing exemptions in this subsection apply to any such
32 cooperative or federation dealing in or handling grain in any manner,
33 and not licensed under the provisions of chapter 22.09 RCW;

34 (2) Any person who sells exclusively his or her own agricultural
35 products as the producer thereof;

36 (3) Any public livestock market operating under a bond required by
37 law or a bond required by the United States to secure the performance

1 of the public livestock market's obligation. However, any such market
2 operating as a livestock dealer or order buyer, or both, is subject to
3 all provisions of this chapter except for the payment of the license
4 fee required in RCW 20.01.040;

5 (4) Any retail merchant having a bona fide fixed or permanent place
6 of business in this state, but only for the retail merchant's retail
7 business conducted at such fixed or established place of business;

8 (5) Any person buying farm products for his or her own use or
9 consumption;

10 (6) Any warehouse operator or grain dealer licensed under the state
11 grain warehouse act, chapter 22.09 RCW, with respect to his or her
12 handling of any agricultural product as defined under that chapter;

13 (7) Any nursery dealer who is required to be licensed under the
14 horticultural laws of the state with respect to his or her operations
15 as such licensee;

16 (8) Any person licensed under the now existing dairy laws of the
17 state with respect to his or her operations as such licensee;

18 (9) Any producer who purchases less than fifteen percent of his or
19 her volume to complete orders;

20 (10) Any person, association, or corporation regulated under
21 chapter 67.16 RCW and the rules adopted thereunder while performing
22 acts regulated by that chapter and the rules adopted thereunder;

23 (11) Any domestic winery, as defined in RCW 66.04.010, licensed
24 under Title 66 RCW, with respect to its transactions involving
25 agricultural products used by the domestic winery in making wine;

26 (12) Any person licensed as a marijuana producer or processor under
27 RCW 69.50.325 with respect to the operations under such license. The
28 definitions in RCW 69.50.101 apply to this subsection (12).

29 NEW SECTION. Sec. 36. Section 3 of this act expires July 1, 2015.

30 NEW SECTION. Sec. 37. Section 4 of this act takes effect July 1,
31 2015.

32 NEW SECTION. Sec. 38. Section 5 of this act expires July 1, 2015,
33 subject to the contingency stated in section 2, chapter . . . (ESSB
34 5952), Laws of 2013 3rd sp. sess.

1 NEW SECTION. **Sec. 39.** Section 6 of this act takes effect July 1,
2 2015, subject to the contingency stated in section 2, chapter . . .
3 (ESSB 5952), Laws of 2013 3rd sp. sess.

4 NEW SECTION. **Sec. 40.** Section 10 of this act expires December 31,
5 2020.

6 NEW SECTION. **Sec. 41.** Section 31 of this act expires July 1,
7 2020.

8 NEW SECTION. **Sec. 42.** Section 32 of this act takes effect July 1,
9 2020.

--- END ---