
HOUSE BILL 2089

State of Washington

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By Representatives B. Thomas, Foreman, Carrell, L. Thomas, Goldsmith, Cairnes, Johnson, Sehlin, Silver, Talcott, Smith, Campbell, Sheahan, Huff, Horn, McMorris, Beeksma, Fuhrman, Hymes, Thompson, Schoesler, Hargrove, Carlson, Pennington, Backlund, Lambert, Mitchell, Casada, Mielke, Mulliken, Honeyford, Robertson, McMahan, Buck, Stevens, Brumsickle, Benton, Sherstad, Dyer, Radcliff, Cooke, Delvin, D. Schmidt, Chandler, Ballasiotes, Elliot, Van Luven, Skinner, Blanton and Boldt

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1 AN ACT Relating to revenue reductions; amending RCW 82.04.190,
2 82.60.040, 82.60.045, 82.60.070, 82.61.010, 82.63.010, 82.04.4452,
3 82.04.255, 82.04.290, 82.04.290, 82.04.255, 82.04.290, 82.04.260,
4 84.33.035, 84.33.170, 83.100.070, 82.27.030, 82.04.365, 82.04.366,
5 82.08.02571, 82.08.050, 82.62.030, 84.36.035, 84.36.805, 48.32.145,
6 48.32A.090, 82.04.2201, 82.04.050, and 66.24.290; reenacting and
7 amending RCW 82.60.020 and 9.41.070; adding new sections to chapter
8 82.08 RCW; adding new sections to chapter 82.12 RCW; adding a new
9 section to chapter 82.63 RCW; adding a new section to chapter 82.14
10 RCW; adding a new section to chapter 84.55 RCW; adding new sections to
11 chapter 82.04 RCW; creating new sections; repealing RCW 82.61.020,
12 82.61.040, 82.63.040, 82.63.050, and 82.04.2201; providing effective
13 dates; and declaring an emergency.

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

15 NEW SECTION. **Sec. 1.** This act may be known and cited as the
16 taxpayer relief act of 1995.

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

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

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

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

13 (4) The state's current policy of applying its sales and use taxes
14 to machinery, equipment, and installation labor used in manufacturing,
15 research and development, and other activities has placed our state's
16 private sector at a competitive disadvantage with other states and
17 serves as a significant disincentive to the continuous improvement of
18 products, technology, and modernization necessary for the preservation,
19 stabilization, and expansion of employment and to ensure a stable
20 economy; and

21 (5) It is vital to the continued development of economic
22 opportunity in this state, including the development of new businesses
23 and the expansion or modernization of existing businesses, that the
24 state of Washington provide tax incentives to entities making a
25 commitment to sites and operations in this state.

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

28 (1) The tax levied by RCW 82.08.020 shall not apply to sales to a
29 manufacturer or processor for hire of machinery and equipment used
30 directly in a manufacturing operation, or to sales of machinery and
31 equipment used directly in a potato packaging operation, or to sales of
32 or charges made for labor and services rendered in respect to
33 installing the machinery and equipment, but only when the purchaser
34 provides the seller with an exemption certificate in a form and manner
35 prescribed by the department by rule, and the purchaser provides the
36 department with a duplicate of the certificate or a summary of exempt
37 sales as the department may require. The seller shall retain a copy of
38 the certificate for the seller's files.

1 (2) For purposes of this section and section 4 of this act:
2 (a) "Machinery and equipment" means industrial fixtures, devices,
3 and support facilities. "Machinery and equipment" includes pollution
4 control equipment installed and used in a manufacturing operation to
5 prevent air pollution, water pollution, or contamination that might
6 otherwise result from the manufacturing operation.
7 (b) "Machinery and equipment" does not include:
8 (i) Hand tools;
9 (ii) Property with a useful life of less than one year;
10 (iii) Repair parts required to restore machinery and equipment to
11 normal working order;
12 (iv) Replacement parts that do not increase productivity, improve
13 efficiency, or extend the useful life of the machinery and equipment;
14 or
15 (v) Building fixtures that are not integral to the manufacturing
16 operation or potato packaging operation that are permanently affixed to
17 and become a physical part of a building, such as utility systems for
18 heating, ventilation, air conditioning, communications, plumbing, or
19 electrical.
20 (c) Machinery and equipment is "used directly" in a manufacturing
21 operation or potato packaging operation if the machinery and equipment:
22 (i) Acts upon or interacts with an item of tangible personal
23 property;
24 (ii) Conveys, transports, handles, or temporarily stores an item of
25 tangible personal property at the manufacturing or packaging site;
26 (iii) Controls, guides, measures, verifies, aligns, regulates, or
27 tests tangible personal property;
28 (iv) Provides physical support for or access to tangible personal
29 property;
30 (v) Produces steam or mechanical power for, or lubricates machinery
31 and equipment;
32 (vi) Produces another item of tangible personal property for use in
33 the manufacturing operation or potato packaging operation; or
34 (vii) Places tangible personal property in the container, package,
35 or wrapping in which the tangible personal property is normally sold or
36 transported.
37 (d) "Manufacturing operation" means the manufacturing of articles,
38 substances, or commodities for sale as tangible personal property. The
39 manufacturing operation begins at the point where the raw materials

1 enter the manufacturing site and ends at the point where the finished
2 product leaves the manufacturing site. The term does not include
3 research and development, cogeneration or the production of
4 electricity, or the preparation of food products on the premises of a
5 person selling food products at retail.

6 (e) "Potato packaging operation" means the packaging of fresh
7 potatoes for sale in their natural state. The packaging operation
8 begins at the point where the fresh potatoes enter the packaging site
9 and ends at the point where the packaged product leaves the packaging
10 site.

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

13 The provisions of this chapter shall not apply in respect to the
14 use by a manufacturer or processor for hire of machinery and equipment
15 used directly in a manufacturing operation, or in respect to the use of
16 machinery and equipment used directly in a potato packaging operation,
17 but only when the user provides the department with:

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

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

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

26 "Consumer" means the following:

27 (1) Any person who purchases, acquires, owns, holds, or uses any
28 article of tangible personal property irrespective of the nature of the
29 person's business and including, among others, without limiting the
30 scope hereof, persons who install, repair, clean, alter, improve,
31 construct, or decorate real or personal property of or for consumers
32 other than for the purpose (a) of resale as tangible personal property
33 in the regular course of business or (b) of incorporating such property
34 as an ingredient or component of real or personal property when
35 installing, repairing, cleaning, altering, imprinting, improving,
36 constructing, or decorating such real or personal property of or for
37 consumers or (c) of consuming such property in producing for sale a new

1 article of tangible personal property or a new substance, of which such
2 property becomes an ingredient or component or as a chemical used in
3 processing, when the primary purpose of such chemical is to create a
4 chemical reaction directly through contact with an ingredient of a new
5 article being produced for sale or (d) purchases for the purpose of
6 consuming the property purchased in producing ferrosilicon which is
7 subsequently used in producing magnesium for sale, if the primary
8 purpose of such property is to create a chemical reaction directly
9 through contact with an ingredient of ferrosilicon;

10 (2) Any person engaged in any business activity taxable under RCW
11 82.04.290 and any person who purchases, acquires, or uses any telephone
12 service as defined in RCW 82.04.065, other than for resale in the
13 regular course of business;

14 (3) Any person engaged in the business of contracting for the
15 building, repairing or improving of any street, place, road, highway,
16 easement, right of way, mass public transportation terminal or parking
17 facility, bridge, tunnel, or trestle which is owned by a municipal
18 corporation or political subdivision of the state of Washington or by
19 the United States and which is used or to be used primarily for foot or
20 vehicular traffic including mass transportation vehicles of any kind as
21 defined in RCW 82.04.280, in respect to tangible personal property when
22 such person incorporates such property as an ingredient or component of
23 such publicly owned street, place, road, highway, easement, right of
24 way, mass public transportation terminal or parking facility, bridge,
25 tunnel, or trestle by installing, placing or spreading the property in
26 or upon the right of way of such street, place, road, highway,
27 easement, bridge, tunnel, or trestle or in or upon the site of such
28 mass public transportation terminal or parking facility;

29 (4) Any person who is an owner, lessee or has the right of
30 possession to or an easement in real property which is being
31 constructed, repaired, decorated, improved, or otherwise altered by a
32 person engaged in business, excluding only (a) municipal corporations
33 or political subdivisions of the state in respect to labor and services
34 rendered to their real property which is used or held for public road
35 purposes, and (b) the United States, instrumentalities thereof, and
36 county and city housing authorities created pursuant to chapter 35.82
37 RCW in respect to labor and services rendered to their real property.
38 Nothing contained in this or any other subsection of this definition
39 shall be construed to modify any other definition of "consumer";

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

5 (6) Any person engaged in the business of constructing, repairing,
6 decorating, or improving new or existing buildings or other structures
7 under, upon, or above real property of or for the United States, any
8 instrumentality thereof, or a county or city housing authority created
9 pursuant to chapter 35.82 RCW, including the installing or attaching of
10 any article of tangible personal property therein or thereto, whether
11 or not such personal property becomes a part of the realty by virtue of
12 installation; also, any person engaged in the business of clearing land
13 and moving earth of or for the United States, any instrumentality
14 thereof, or a county or city housing authority created pursuant to
15 chapter 35.82 RCW. Any such person shall be a consumer within the
16 meaning of this subsection in respect to tangible personal property
17 incorporated into, installed in, or attached to such building or other
18 structure by such person; and

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

24 Nothing contained in this or any other subsection of this
25 definition shall be construed to modify any other definition of
26 "consumer."

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

29 Unless the context clearly requires otherwise, the definitions in
30 this section apply throughout this chapter.

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

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

34 (3) "Eligible area" means: (a) A county in which the average level
35 of unemployment for the three years before the year in which an
36 application is filed under this chapter exceeds the average state
37 unemployment for those years by twenty percent; (b) a metropolitan
38 statistical area, as defined by the office of federal statistical

1 policy and standards, United States department of commerce, in which
2 the average level of unemployment for the calendar year immediately
3 preceding the year in which an application is filed under this chapter
4 exceeds the average state unemployment for such calendar year by twenty
5 percent; (c) a designated community empowerment zone approved under RCW
6 43.63A.700 or a county containing such a community empowerment zone;
7 (d) a town with a population of less than twelve hundred persons in
8 those counties that are not covered under (a) of this subsection that
9 are timber impact areas as defined in RCW 43.31.601; ~~((or))~~ (e) a
10 county designated by the governor as an eligible area under RCW
11 82.60.047; or (f) a county that is contiguous to a county that
12 qualifies as an eligible area under (a) or (e) of this subsection.

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

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

16 (ii) That portion of an investment project in an eligible area as
17 defined in subsection (3)(c) or (f) of this section which~~((:—(i)))~~ is
18 directly utilized to create at least one new full-time qualified
19 employment position for each three hundred thousand dollars of
20 investment on which a deferral is requested in an application approved
21 before July 1, 1994, and for each seven hundred fifty thousand dollars
22 of investment on which a deferral is requested in an application
23 approved after June 30, 1994~~((; and~~

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

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

33 ~~((b))~~ (c) For purposes of (a)~~((i))~~ (ii) of this
34 subsection~~((;))~~:

35 (i) The department shall consider the entire investment project,
36 including any investment in machinery and equipment that otherwise
37 qualifies for exemption under section 3 or 4 of this act, for purposes
38 of determining the portion of the investment project that qualifies for
39 deferral as an eligible investment project; and

1 (ii) The number of new full-time qualified employment positions
2 created by an investment project shall be deemed to be reduced by the
3 number of full-time employment positions maintained by the recipient in
4 any other community in this state that are displaced as a result of the
5 investment project.

6 (~~(e)~~) (d) "Eligible investment project" does not include any
7 portion of an investment project undertaken by a light and power
8 business as defined in RCW 82.16.010(5), other than that portion of a
9 cogeneration project(~~(s that are both an integral part of a~~
10 ~~manufacturing facility and owned at least fifty percent by the~~
11 ~~manufacturer)) that is used to generate power for consumption within
12 the manufacturing site of which the cogeneration project is an integral
13 part, or investment projects which have already received deferrals
14 under this chapter.~~

15 (5) "Investment project" means an investment in qualified buildings
16 or qualified machinery and equipment, including labor and services
17 rendered in the planning, installation, and construction of the
18 project.

19 (6) "Manufacturing" means all activities of a commercial or
20 industrial nature wherein labor or skill is applied, by hand or
21 machinery, to materials so that as a result thereof a new, different,
22 or useful substance or article of tangible personal property is
23 produced for sale or commercial or industrial use and shall include the
24 production or fabrication of specially made or custom made articles.
25 "Manufacturing" also includes computer programming, the production of
26 computer software, and other computer-related services, and the
27 activities performed by research and development laboratories and
28 commercial testing laboratories.

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

30 (8) "Qualified buildings" means construction of new structures, and
31 expansion or renovation of existing structures for the purpose of
32 increasing floor space or production capacity used for manufacturing
33 and research and development activities, including plant offices and
34 warehouses or other facilities for the storage of raw material or
35 finished goods if such facilities are an essential or an integral part
36 of a factory, mill, plant, or laboratory used for manufacturing or
37 research and development. If a building is used partly for
38 manufacturing or research and development and partly for other
39 purposes, the applicable tax deferral shall be determined by

1 apportionment of the costs of construction under rules adopted by the
2 department.

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

6 (10) "Qualified machinery and equipment" means all new industrial
7 and research fixtures, equipment, and support facilities that are an
8 integral and necessary part of a manufacturing or research and
9 development operation. "Qualified machinery and equipment" includes:
10 Computers; software; data processing equipment; laboratory equipment;
11 manufacturing components such as belts, pulleys, shafts, and moving
12 parts; molds, tools, and dies; operating structures; and all equipment
13 used to control or operate the machinery.

14 (11) "Recipient" means a person receiving a tax deferral under this
15 chapter.

16 (12) "Research and development" means the development, refinement,
17 testing, marketing, and commercialization of a product, service, or
18 process before commercial sales have begun. As used in this
19 subsection, "commercial sales" excludes sales of prototypes or sales
20 for market testing if the total gross receipts from such sales of the
21 product, service, or process do not exceed one million dollars.

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

24 (1) The department shall issue a sales and use tax deferral
25 certificate for state and local sales and use taxes due under chapters
26 82.08, 82.12, and 82.14 RCW on each eligible investment project that:

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

30 (b) Is located in (~~((any county))~~) an eligible area as defined in RCW
31 82.60.020(3)(f) if seventy-five percent of the new qualified employment
32 positions are to be filled by residents of a contiguous county that
33 ((qualifies as)) is an eligible area as defined in RCW 82.60.020(3)(a)
34 or (e); or

35 (c) Is located in (~~((a designated neighborhood reinvestment area~~
36 ~~approved under RCW 43.63A.700, or in a county containing such a~~
37 ~~neighborhood reinvestment area,))~~ an eligible area as defined in RCW
38 82.60.020(3)(c) if seventy-five percent of the new qualified employment

1 positions are to be filled by residents of (~~the neighborhood~~
2 ~~reinvestment area~~) a designated community empowerment zone approved
3 under RCW 43.63A.700 located within the county in which the eligible
4 investment project is located.

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

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

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

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

19 (2) If the deferral is for expansion or diversification of an
20 existing facility, the recipient shall ensure that the percentage of
21 qualified employment positions filled by residents of the contiguous
22 county or (~~neighborhood reinvestment area~~) community empowerment zone
23 for periods prior to the application be maintained for seven calendar
24 years after the year during which the department certifies that the
25 investment project is operationally completed.

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

28 (1) Each recipient of a deferral granted under this chapter prior
29 to July 1, 1994, shall submit a report to the department on December
30 31st of each year during the repayment period until the tax deferral is
31 repaid. Each recipient of a deferral granted under this chapter after
32 June 30, 1994, shall submit a report to the department on December 31st
33 of the year in which the investment project is certified by the
34 department as having been operationally completed, and on December 31st
35 of each of the seven succeeding calendar years. The report shall
36 contain information, as required by the department, from which the
37 department may determine whether the recipient is meeting the

1 requirements of this chapter. If the recipient fails to submit a
2 report or submits an inadequate report, the department may declare the
3 amount of deferred taxes outstanding to be immediately assessed and
4 payable.

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

11 (3) If, on the basis of a report under this section or other
12 information, the department finds that an investment project for which
13 a deferral has been granted under this chapter prior to July 1, 1994,
14 has been operationally complete for three years and has failed to
15 create the required number of qualified employment positions, the
16 department shall assess interest, but not penalties, on the deferred
17 taxes for the project. The interest shall be assessed at the rate
18 provided for delinquent excise taxes, shall be assessed retroactively
19 to the date of deferral, and shall accrue until the deferred taxes are
20 repaid.

21 (4) If, on the basis of a report under this section or other
22 information, the department finds that an investment project for which
23 a deferral has been granted under this chapter after June 30, 1994, has
24 been operationally complete for three years and has failed to create
25 the required number of qualified employment positions, the amount of
26 taxes not eligible for deferral shall be immediately due. The
27 department shall assess interest at the rate provided for delinquent
28 excise taxes, but not penalties, retroactively to the date of deferral.

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

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

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

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

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

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

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

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

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

14 (4) "Eligible investment project" means:

15 (a) Construction of new buildings and the acquisition of new
16 related machinery and equipment when the buildings, machinery, and
17 equipment are to be used for either manufacturing or research and
18 development activities, which construction is commenced prior to
19 December 31, (~~(1998)~~) 1995; or

20 (b) Acquisition prior to December 31, (~~(1998)~~) 1995, of new
21 machinery and equipment to be used for either manufacturing or research
22 and development if the machinery and equipment is housed in a new
23 leased structure. The lessor/owner of the structure is not eligible
24 for a deferral unless the underlying ownership of the buildings,
25 machinery, and equipment vests exclusively in the same person; or

26 (c) Acquisition of all new or used machinery, equipment, or other
27 personal property for use in the production or casting of aluminum at
28 an aluminum smelter or at facilities related to an aluminum smelter, if
29 the plant was in operation prior to 1975 and has ceased operations or
30 is in imminent danger of ceasing operations for economic reasons, as

31 determined by the department, and if the person applying for a deferral
32 (i) has consulted with any collective bargaining unit that represented
33 employees of the plant pursuant to a collective bargaining agreement
34 that was in effect either immediately prior to the time the plant
35 ceased operations or during the period when the plant was in imminent
36 danger of ceasing operations, on the proposed operation of the plant
37 and on the terms and conditions of employment for wage and salaried
38 employees and (ii) has obtained a written concurrence from the

1 bargaining unit on the decision to apply for a deferral under this
2 chapter; or

3 (d) Modernization projects involving construction, acquisition, or
4 upgrading of equipment or machinery, including services and labor,
5 which are commenced after May 19, 1987, and are intended to increase
6 the operating efficiency of existing plants which are either aluminum
7 smelters or aluminum rolling mills or of facilities related to such
8 plants, if the plant was in operation prior to 1975, and if the person
9 applying for a deferral (i) has consulted with any collective
10 bargaining unit that represents employees of the plant on the proposed
11 operation of the plant and the terms and conditions of employment for
12 wage and salaried employees and (ii) has obtained a written concurrence
13 from the bargaining unit on the decision to apply for a deferral under
14 this chapter.

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

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

24 (7) "Buildings" means only those new structures used for either
25 manufacturing or research and development activities, including plant
26 offices and warehouses or other facilities for the storage of raw
27 materials or finished goods if such facilities are an essential or an
28 integral part of a factory, mill, plant, or laboratory used for
29 manufacturing or research and development purposes. If a building is
30 used partly for manufacturing or research and development and partly
31 for other purposes, the applicable tax deferral shall be determined by
32 apportionment of the costs of construction under rules adopted by the
33 department.

34 (8) "Machinery and equipment" means all industrial and research
35 fixtures, equipment, and support facilities that are an integral and
36 necessary part of a manufacturing or research and development
37 operation. "Qualified machinery and equipment" includes computers;
38 software; data processing equipment; laboratory equipment;
39 manufacturing components such as belts, pulleys, shafts, and moving

1 parts; molds, tools, and dies; operating structures; and all equipment
2 used to control or operate the machinery. For purposes of this
3 chapter, new machinery and equipment means either new to the taxing
4 jurisdiction of the state or new to the certificate holder. Used
5 machinery and equipment may be treated as new equipment and machinery
6 if the certificate holder either brings the machinery and equipment
7 into Washington or makes a retail purchase of the machinery and
8 equipment in Washington or elsewhere.

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

12 (10) "Recipient" means a person receiving a tax deferral under this
13 chapter.

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

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

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

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

22 (1) RCW 82.61.020 and 1987 c 497 s 2 & 1985 ex.s. c 2 s 2; and

23 (2) RCW 82.61.040 and 1993 sp.s. c 25 s 408, 1988 c 41 s 2, 1986 c
24 116 s 10, & 1985 ex.s. c 2 s 8.

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

27 Unless the context clearly requires otherwise, the definitions in
28 this section apply throughout this chapter.

29 (1) (~~"Advanced computing" means technologies used in the designing
30 and developing of computing hardware and software, including
31 innovations in designing the full spectrum of hardware from hand held
32 calculators to super computers, and peripheral equipment.~~

33 (2) ~~"Advanced materials" means materials with engineered properties
34 created through the development of specialized processing and synthesis
35 technology, including ceramics, high value added metals, electronic
36 materials, composites, polymers, and biomaterials.~~

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

3 ~~((4) "Biotechnology" means the application of technologies, such~~
4 ~~as recombinant DNA techniques, biochemistry, molecular and cellular~~
5 ~~biology, genetics and genetic engineering, cell fusion techniques, and~~
6 ~~new bioprocesses, using living organisms, or parts of organisms, to~~
7 ~~produce or modify products, to improve plants or animals, to develop~~
8 ~~microorganisms for specific uses, to identify targets for small~~
9 ~~molecule pharmaceutical development, or to transform biological systems~~
10 ~~into useful processes and products or to develop microorganisms for~~
11 ~~specific uses.~~

12 ~~(5))~~ (2) "Department" means the department of revenue.

13 ~~((6) "Electronic device technology" means technologies involving~~
14 ~~microelectronics; semiconductors; electronic equipment and~~
15 ~~instrumentation; radio frequency, microwave, and millimeter~~
16 ~~electronics; optical and optic-electrical devices; and data and digital~~
17 ~~communications and imaging devices.~~

18 ~~(7))~~ (3) "Eligible investment project" means ~~((that portion of))~~
19 an investment project which either initiates a new operation, or
20 expands or diversifies a current operation by expanding, renovating, or
21 equipping an existing facility ~~((with costs in excess of twenty five~~
22 ~~percent of the true and fair value of the facility prior to~~
23 ~~improvement))~~. The lessor or owner of the qualified building is not
24 eligible for a deferral unless the underlying ownership of the
25 buildings, machinery, and equipment vests exclusively in the same
26 person, or unless the lessor by written contract agrees to pass the
27 economic benefit of the deferral to the lessee in the form of reduced
28 rent payments.

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

32 ~~(9))~~ (4) "Investment project" means an investment in qualified
33 buildings or qualified machinery and equipment, including labor and
34 services rendered in the planning, installation, and construction or
35 improvement of the project.

36 ~~((10))~~ (5) "Person" has the meaning given in RCW 82.04.030.

37 ~~((11))~~ (6) "Pilot scale manufacturing" means design,
38 construction, and testing of preproduction prototypes and models ~~((in~~
39 ~~the fields of biotechnology, advanced computing, electronic device~~

1 ~~technology, advanced materials, and environmental technology~~) other
2 than for commercial sale. As used in this subsection, "commercial
3 sale" excludes sales of prototypes or sales for market testing if the
4 total gross receipts from such sales of the product, service, or
5 process do not exceed one million dollars.

6 ~~((12))~~ (7) "Qualified buildings" means construction of new
7 structures, and expansion or renovation of existing structures for the
8 purpose of increasing floor space or production capacity used for pilot
9 scale manufacturing or ~~((qualified))~~ research and development,
10 including plant offices and other facilities that are an essential or
11 an integral part of a structure used for pilot scale manufacturing or
12 ~~((qualified))~~ research and development. If a building is used partly
13 for pilot scale manufacturing or ~~((qualified))~~ research and
14 development, and partly for other purposes, the applicable tax deferral
15 shall be determined by apportionment of the costs of construction under
16 rules adopted by the department.

17 ~~((13))~~ (8) "Qualified machinery and equipment" means fixtures,
18 equipment, and support facilities that are an integral and necessary
19 part of a pilot scale manufacturing or ~~((qualified))~~ research and
20 development operation. "Qualified machinery and equipment" includes:
21 Computers; software; data processing equipment; laboratory equipment,
22 instrumentation, and other devices used in a process of experimentation
23 to develop a new or improved pilot model, plant process, product,
24 formula, invention, or similar property; manufacturing components such
25 as belts, pulleys, shafts, and moving parts; molds, tools, and dies;
26 vats, tanks, and fermenters; operating structures; and all other
27 equipment used to control, monitor, or operate the machinery. For
28 purposes of this chapter, qualified machinery and equipment must be
29 either new to the taxing jurisdiction of the state or new to the
30 certificate holder, except that used machinery and equipment may be
31 treated as qualified machinery and equipment if the certificate holder
32 either brings the machinery and equipment into Washington or makes a
33 retail purchase of the machinery and equipment in Washington or
34 elsewhere.

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

1 ~~(15))~~ (9) "Recipient" means a person receiving a tax deferral
2 under this chapter.

3 ~~((16))~~ (10) "Research and development" means activities performed
4 to discover technological information, and technical and nonroutine
5 activities concerned with translating technological information into
6 new or improved products, processes, techniques, formulas, inventions,
7 or software. The term includes exploration of a new use for an
8 existing drug, device, or biological product if the new use requires
9 separate licensing by the federal food and drug administration under
10 chapter 21, C.F.R., as amended. The term does not include adaptation
11 or duplication of existing products where the products are not
12 substantially improved by application of the technology, nor does the
13 term include surveys and studies, social science and humanities
14 research, market research or testing, quality control, sale promotion
15 and service, computer software developed for internal use, and research
16 in areas such as improved style, taste, and seasonal design.

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

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

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

29	Year in which use occurs	% of deferred taxes due
30	1	100%
31	2	87.5%
32	3	75%
33	4	62.5%
34	5	50%
35	6	37.5%
36	7	25%
37	8	12.5%

1 The department shall assess interest at the rate provided for
2 delinquent taxes, but not penalties, retroactively to the date of
3 deferral.

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

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

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

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

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

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

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

17 (1) For purposes of this section "machinery and equipment
18 exemptions" means the sales and use tax exemptions for manufacturing
19 machinery and equipment provided in sections 3 and 4 of this act and
20 sales and use tax deferrals for manufacturing machinery and equipment
21 provided in chapters 82.60 and 82.63 RCW.

22 (2) A local government that imposes the sales and use tax under RCW
23 82.14.030 or 82.14.045 is eligible to receive payment from the state
24 treasurer, from amounts appropriated by the legislature for that
25 purpose, of an amount equal to the amount by which local sales and use
26 tax revenues lost by the local government as a result of machinery and
27 equipment exemptions exceeds five percent of local sales and use tax
28 collections by the local government during the period July 1, 1995,
29 through December 31, 1995, or any calendar year thereafter. If amounts
30 appropriated by the legislature are insufficient to pay the full amount
31 to which all local governments are eligible the payment to each
32 eligible local government shall be reduced in equal proportions.

33 (3) For purposes of subsection (2) of this section, local sales and
34 use tax collections by the local government shall be deemed to include
35 sales and use tax equalization funds distributed to the local
36 government pursuant to RCW 82.14.200 and 82.14.210. Fifty percent of
37 the sales and use tax equalization funds received by a local government

1 during calendar year 1995 shall be deemed to have been received during
2 the period July 1, 1995, through December 31, 1995, regardless of when
3 actually received.

4 (4) Upon application of a local government, the department shall
5 certify to the state treasurer the amount of payment for which the
6 local government is eligible and the state treasurer shall pay, from
7 amounts appropriated for that purpose, the amount to the treasurer of
8 the local government by March 1, 1996, for the period July 1, 1995,
9 through December 31, 1995, and by March 1 of each year thereafter for
10 the preceding calendar year.

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

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

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

20 (2) The credit is equal to the greater of the amount of qualified
21 research and development expenditures of a person or eighty percent of
22 amounts received by a person other than a public educational or
23 research institution in compensation for the conduct of qualified
24 research and development, multiplied by the rate of 0.515 percent in
25 the case of a nonprofit corporation or nonprofit association engaging
26 within this state in research and development, and 2.5 percent for
27 every other person.

28 (3) Any person entitled to the credit provided in subsection (2) of
29 this section as a result of qualified research and development
30 conducted under contract may assign all or any portion of the credit to
31 the person contracting for the performance of the qualified research
32 and development.

33 (4) The credit, including any credit assigned to a person under
34 subsection (3) of this section, shall be taken against taxes due for
35 the same calendar year in which the qualified research and development
36 expenditures are incurred. The credit, including any credit assigned
37 to a person under subsection (3) of this section, for each calendar

1 year shall not exceed the lesser of two million dollars or the amount
2 of tax otherwise due under this chapter for the calendar year.

3 (5) Any person taking the credit, including any credit assigned to
4 a person under subsection (3) of this section, whose research and
5 development spending during the calendar year in which the credit is
6 claimed fails to exceed 0.92 percent of the person's taxable amount
7 during the same calendar year shall be liable for payment of the
8 additional taxes represented by the amount of credit taken together
9 with interest, but not penalties. Interest shall be due at the rate
10 provided for delinquent excise taxes retroactively to the date the
11 credit was taken until the taxes are paid. Any credit assigned to a
12 person under subsection (3) of this section that is disallowed as a
13 result of this section may be taken by the person who performed the
14 qualified research and development subject to the limitations set forth
15 in subsection (4) of this section.

16 (6) Any person claiming the credit, and any person assigning a
17 credit as provided in subsection (3) of this section, shall file an
18 affidavit form prescribed by the department which shall include the
19 amount of the credit claimed, an estimate of the anticipated qualified
20 research and development expenditures during the calendar year for
21 which the credit is claimed, an estimate of the taxable amount during
22 the calendar year for which the credit is claimed, and such additional
23 information as the department may prescribe.

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

27 (8) The department shall use the information required under
28 subsection (7) of this section to perform three assessments on the tax
29 credit program authorized under this section. The assessments will
30 take place in 1997, 2000, and 2003. The department shall prepare
31 reports on each assessment and deliver their reports by September 1,
32 1997, September 1, 2000, and September 1, 2003. The assessments shall
33 measure the effect of the program on job creation, the number of jobs
34 created for Washington residents, company growth, the introduction of
35 new products, the diversification of the state's economy, growth in
36 research and development investment, the movement of firms or the
37 consolidation of firms' operations into the state, and such other
38 factors as the department selects.

39 (9) For the purpose of this section:

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

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

9 (c) "Biotechnology" means the application of technologies, such as
10 recombinant DNA techniques, biochemistry, molecular and cellular
11 biology, genetics and genetic engineering, cell fusion techniques, and
12 new bioprocesses, using living organisms, or parts of organisms, to
13 produce or modify products, to improve plants or animals, to develop
14 microorganisms for specific uses, to identify targets for small
15 molecule pharmaceutical development, or to transform biological systems
16 into useful processes and products or to develop microorganisms for
17 specific uses.

18 (d) "Electronic device technology" means technologies involving
19 microelectronics; semiconductors; electronic equipment and
20 instrumentation; radio frequency, microwave, and millimeter
21 electronics; optical and optic-electrical devices; and data and digital
22 communications and imaging devices.

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

26 (f) "Qualified research and development expenditures" means
27 operating expenses, including wages, compensation of a proprietor or a
28 partner in a partnership as determined under rules adopted by the
29 department, benefits, supplies, and computer expenses, directly
30 incurred in qualified research and development by a person claiming the
31 credit provided in this section. The term does not include amounts
32 paid to a person other than a public educational or research
33 institution to conduct qualified research and development. Nor does
34 the term include capital costs and overhead, such as expenses for land,
35 structures, or depreciable property.

36 (~~(b)~~) (g) "Qualified research and development" (~~shall have the~~
37 same meaning as in RCW 82.63.010) means research and development
38 performed within this state in the fields of advanced computing,

1 advanced materials, biotechnology, electronic device technology, and
2 environmental technology.

3 ~~((e))~~ (h) "Research and development spending" means qualified
4 research and development expenditures plus eighty percent of amounts
5 paid to a person other than a public educational or research
6 institution to conduct qualified research and development.

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

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

13 NEW SECTION. **Sec. 17.** If specific funding for the purposes of
14 section 15 of this act, referencing that section by bill and section
15 number, is not provided by June 30, 1995, in the omnibus appropriations
16 act, section 15 of this act is null and void. The amount appropriated
17 for the purposes of section 15 of this act for the biennium ending June
18 30, 1997, shall not exceed two million dollars.

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

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

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

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

34 Upon every person engaging within the state as a real estate
35 broker; as to such persons, the amount of the tax with respect to such

1 business shall be equal to the gross income of the business, multiplied
2 by the rate of (~~2.0~~) 1.75 percent.

3 The measure of the tax on real estate commissions earned by the
4 real estate broker shall be the gross commission earned by the
5 particular real estate brokerage office including that portion of the
6 commission paid to salesmen or associate brokers in the same office on
7 a particular transaction: PROVIDED, HOWEVER, That where a real estate
8 commission is divided between an originating brokerage office and a
9 cooperating brokerage office on a particular transaction, each
10 brokerage office shall pay the tax only upon their respective shares of
11 said commission: AND PROVIDED FURTHER, That where the brokerage office
12 has paid the tax as provided herein, salesmen or associate brokers
13 within the same brokerage office shall not be required to pay a similar
14 tax upon the same transaction.

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

17 (1) Upon every person engaging within this state in the business of
18 providing selected business services other than or in addition to those
19 enumerated in RCW 82.04.250 or 82.04.270; as to such persons the amount
20 of tax on account of such activities shall be equal to the gross income
21 of the business multiplied by the rate of 2.5 percent.

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

27 (3) Upon every person engaging within this state in any business
28 activity other than or in addition to those enumerated in RCW
29 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
30 (~~and~~) 82.04.280, and section 61 of this act, and subsections (1) and
31 (2) of this section; as to such persons the amount of tax on account of
32 such activities shall be equal to the gross income of the business
33 multiplied by the rate of 2.0 percent.

34 This section includes, among others, and without limiting the scope
35 hereof (whether or not title to materials used in the performance of
36 such business passes to another by accession, confusion or other than
37 by outright sale), persons engaged in the business of rendering any
38 type of service which does not constitute a "sale at retail" or a "sale

1 at wholesale." The value of advertising, demonstration, and
2 promotional supplies and materials furnished to an agent by his
3 principal or supplier to be used for informational, educational and
4 promotional purposes shall not be considered a part of the agent's
5 remuneration or commission and shall not be subject to taxation under
6 this section.

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

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

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

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

25 (4) Upon every person engaging within this state in any business
26 activity other than or in addition to those enumerated in RCW
27 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
28 82.04.280, and section 61 of this act, and subsections (1) (~~and~~),
29 (2), and (3) of this section; as to such persons the amount of tax on
30 account of such activities shall be equal to the gross income of the
31 business multiplied by the rate of (~~(2.0)~~) 1.75 percent.

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

1 principal or supplier to be used for informational, educational and
2 promotional purposes shall not be considered a part of the agent's
3 remuneration or commission and shall not be subject to taxation under
4 this section.

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

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

11 The measure of the tax on real estate commissions earned by the
12 real estate broker shall be the gross commission earned by the
13 particular real estate brokerage office including that portion of the
14 commission paid to salesmen or associate brokers in the same office on
15 a particular transaction: PROVIDED, HOWEVER, That where a real estate
16 commission is divided between an originating brokerage office and a
17 cooperating brokerage office on a particular transaction, each
18 brokerage office shall pay the tax only upon their respective shares of
19 said commission: AND PROVIDED FURTHER, That where the brokerage office
20 has paid the tax as provided herein, salesmen or associate brokers
21 within the same brokerage office shall not be required to pay a similar
22 tax upon the same transaction.

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

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

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

36 (3) Upon every person engaging within this state in the business of
37 providing international investment management services, as to such

1 persons, the amount of tax with respect to such business shall be equal
2 to the gross income or gross proceeds of sales of the business
3 multiplied by a rate of 0.275 percent.

4 (4) Upon every person engaging within this state in any business
5 activity other than or in addition to those enumerated in RCW
6 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,
7 82.04.280, and section 61 of this act, and subsections (1), (2), and
8 (3) of this section; as to such persons the amount of tax on account of
9 such activities shall be equal to the gross income of the business
10 multiplied by the rate of (~~1.75~~) 1.5 percent.

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

22 NEW SECTION. Sec. 25. RCW 82.04.2201 and 1994 sp.s. c 10 s 1 &
23 1993 sp.s. c 25 s 204 are each repealed.

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

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

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

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

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

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

17 (5) Upon every person engaging within this state in the business of
18 manufacturing by canning, preserving, freezing or dehydrating fresh
19 fruits and vegetables; as to such persons the amount of tax with
20 respect to such business shall be equal to the value of the products
21 canned, preserved, frozen or dehydrated multiplied by the rate of 0.33
22 percent.

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

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

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

38 (9) Upon every person engaging within this state in the business of
39 manufacturing nuclear fuel assemblies, as to such persons the amount of

1 tax with respect to such business shall be equal to the value of the
2 products manufactured multiplied by the rate of 0.275 percent.

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

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

14 (12) Upon every person engaging within this state in the business
15 of stevedoring and associated activities pertinent to the movement of
16 goods and commodities in waterborne interstate or foreign commerce; as
17 to such persons the amount of tax with respect to such business shall
18 be equal to the gross proceeds derived from such activities multiplied
19 by the rate of 0.363 percent. Persons subject to taxation under this
20 subsection shall be exempt from payment of taxes imposed by chapter
21 82.16 RCW for that portion of their business subject to taxation under
22 this subsection. Stevedoring and associated activities pertinent to
23 the conduct of goods and commodities in waterborne interstate or
24 foreign commerce are defined as all activities of a labor, service or
25 transportation nature whereby cargo may be loaded or unloaded to or
26 from vessels or barges, passing over, onto or under a wharf, pier, or
27 similar structure; cargo may be moved to a warehouse or similar holding
28 or storage yard or area to await further movement in import or export
29 or may move to a consolidation freight station and be stuffed,
30 unstuffed, containerized, separated or otherwise segregated or
31 aggregated for delivery or loaded on any mode of transportation for
32 delivery to its consignee. Specific activities included in this
33 definition are: Wharfage, handling, loading, unloading, moving of
34 cargo to a convenient place of delivery to the consignee or a
35 convenient place for further movement to export mode; documentation
36 services in connection with the receipt, delivery, checking, care,
37 custody and control of cargo required in the transfer of cargo;
38 imported automobile handling prior to delivery to consignee; terminal
39 stevedoring and incidental vessel services, including but not limited

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

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

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

14 (14) Upon every person engaging within this state as an insurance
15 agent, insurance broker, or insurance solicitor licensed under chapter
16 48.17 RCW; as to such persons, the amount of the tax with respect to
17 such licensed activities shall be equal to the gross income of such
18 business multiplied by the rate of ~~((1.1))~~ 0.55 percent. However, if
19 the insurer has paid the tax as provided under this chapter for a
20 transaction, the insurance agent, insurance broker, or insurance
21 solicitor licensed under chapter 48.17 RCW shall not be required to pay
22 a similar tax upon the same gross income for the same transaction.

23 (15) Upon every person engaging within this state in business as a
24 hospital, as defined in chapter 70.41 RCW, that is operated as a
25 nonprofit corporation or by the state or any of its political
26 subdivisions, as to such persons, the amount of tax with respect to
27 such activities shall be equal to the gross income of the business
28 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
29 percent thereafter. The moneys collected under this subsection shall
30 be deposited in the health services account created under RCW
31 43.72.900.

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

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

36 (1) "Agricultural methods" means the cultivation of trees that are
37 grown on land prepared by intensive cultivation and tilling, such as
38 irrigating, plowing, or turning over the soil, and on which all

1 unwanted plant growth is controlled continuously for the exclusive
2 purpose of raising trees such as Christmas trees and short-rotation
3 hardwoods.

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

8 ((+2)) (3) "Forest land" means forest land which is classified or
9 designated forest land under this chapter.

10 ((+3)) (4) "Harvested" means the time when in the ordinary course
11 of business the quantity of timber by species is first definitely
12 determined. The amount harvested shall be determined by the Scribner
13 Decimal C Scale or other prevalent measuring practice adjusted to
14 arrive at substantially equivalent measurements, as approved by the
15 department of revenue.

16 ((+4)) (5) "Harvester" means every person who from the person's
17 own land or from the land of another under a right or license granted
18 by lease or contract, either directly or by contracting with others for
19 the necessary labor or mechanical services, fells, cuts, or takes
20 timber for sale or for commercial or industrial use: PROVIDED, That
21 whenever the United States or any instrumentality thereof, the state,
22 including its departments and institutions and political subdivisions,
23 or any municipal corporation therein so fells, cuts, or takes timber
24 for sale or for commercial or industrial use, the harvester is the
25 first person other than the United States or any instrumentality
26 thereof, the state, including its departments and institutions and
27 political subdivisions, or any municipal corporation therein, who
28 acquires title to or a possessory interest in such timber. The term
29 "harvester" does not include persons performing under contract the
30 necessary labor or mechanical services for a harvester.

31 ((+5)) (6) "Short-rotation hardwoods" means hardwood trees, such
32 as but not limited to hybrid cottonwoods, cultivated by agricultural
33 methods in growing cycles shorter than ten years.

34 (7) "Stumpage value of timber" means the appropriate stumpage value
35 shown on tables prepared by the department of revenue under RCW
36 84.33.091, provided that for timber harvested from public land and sold
37 under a competitive bidding process, stumpage value shall mean that
38 actual amount paid to the seller in cash or other consideration.
39 Whenever payment for the stumpage includes considerations other than

1 cash, the value shall be the fair market value of the other
2 consideration, provided that if the other consideration is permanent
3 roads, the value of the roads shall be the appraised value as appraised
4 by the seller.

5 ~~((+6))~~ (8) "Timber" means forest trees, standing or down, on
6 privately or publicly owned land, and except as provided in RCW
7 84.33.170 includes Christmas trees and short-rotation hardwoods.

8 ~~((+7))~~ (9) "Timber assessed value" for a county means a value,
9 calculated by the department of revenue before October 1 of each year,
10 equal to the total stumpage value of timber harvested from privately
11 owned land in the county during the most recent four calendar quarters
12 for which the information is available multiplied by a ratio. The
13 numerator of the ratio is the rate of tax imposed by the county under
14 RCW 84.33.051 for the year of the calculation. The denominator of the
15 ratio is the composite property tax rate for the county for taxes due
16 in the year of the calculation, expressed as a percentage of assessed
17 value.

18 ~~((+8))~~ (10) "Timber assessed value" for a taxing district means
19 the timber assessed value for the county multiplied by a ratio. The
20 numerator of the ratio is the total assessed value of forest land in
21 the taxing district. The denominator is the total assessed value of
22 forest land in the county. As used in this section, "assessed value of
23 forest land" means the assessed value of forest land for taxes due in
24 the year the timber assessed value for the county is calculated.

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

27 Notwithstanding any provision of this chapter to the contrary, this
28 chapter shall not exempt from the ad valorem tax nor subject to the
29 excise tax imposed by this chapter, Christmas trees ~~((which are grown
30 on land which has been prepared by intensive cultivation and tilling,
31 such as by plowing or turning over the soil, and on which all unwanted
32 plant growth is controlled continuously for the exclusive purpose of
33 raising such Christmas trees))~~ and short-rotation hardwoods, which are
34 cultivated by agricultural methods, and such land on which such
35 Christmas trees and short-rotation hardwoods stand shall not be taxed
36 as provided in RCW 84.33.100 through 84.33.140. However, short-
37 rotation hardwoods, which are cultivated by agricultural methods, on

1 land classified as timber land under chapter 84.34 RCW, shall be
2 subject to the excise tax imposed under this chapter.

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

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

8 (2) If the Washington return is not filed when due under RCW
9 83.100.050, then the person required to file the federal return shall
10 pay, in addition to interest, a penalty equal to five percent of the
11 tax due for each month after the date the return is due until filed.
12 No penalty may exceed twenty-five percent of the tax due or ten
13 thousand dollars, whichever amount is lower. If the department finds
14 that a return due under this chapter has not been filed by the due
15 date, and the delinquency was the result of circumstances beyond the
16 control of the person required to file the federal return, the
17 department shall waive or cancel any penalties imposed under this
18 chapter with respect to the filing of such a tax return. The
19 department shall prescribe rules for the waiver or cancellation of the
20 penalties imposed by this section.

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

23 The tax imposed by RCW 82.27.020 shall not apply to: (1) Enhanced
24 food fish originating outside the state which enters the state as (a)
25 frozen enhanced food fish or (b) enhanced food fish packaged for retail
26 sales; (2) the growing, processing, or dealing with food fish or
27 shellfish which are raised from eggs ~~((or))~~, fry, or larvae and which
28 are under the physical control of the grower at all times until being
29 sold or harvested; and (3) food fish, shellfish, anadromous game fish,
30 and byproducts or parts of food fish shipped from outside the state
31 which enter the state, except as provided in RCW 82.27.010, provided
32 the taxpayer must have documentation showing shipping origination of
33 fish exempt under this subsection to qualify for exemption. Such
34 documentation includes, but is not limited to fish tickets, bills of
35 lading, invoices, or other documentation required to be kept by
36 governmental agencies.

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

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

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

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

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

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

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

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

22 (3) This chapter does not apply to the first thirty-five thousand
23 dollars received in a calendar year by a nonprofit organization from
24 sales of used books, used videos, used sound recordings, or similar
25 used information products, if substantially all of the net proceeds
26 from the sales are used to support a library as defined in RCW
27 27.12.010.

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

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

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

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

1 NEW SECTION. Sec. 33. A new section is added to chapter 82.08 RCW
2 to read as follows:

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

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

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

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

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

17 (2) As used in this section, "public benefit nonprofit
18 organization" means an organization exempt from tax under section
19 501(c)(3) of the federal internal revenue code, as in effect on January
20 1, 1991, or a subsequent date provided by the director by rule
21 consistent with the purpose of this section.

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

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

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

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

31 (2) As used in this section, "public benefit nonprofit
32 organization" means an organization exempt from tax under section
33 501(c)(3) of the federal internal revenue code, as in effect on January
34 1, 1991, or a subsequent date provided by the director by rule
35 consistent with the purpose of this section.

1 NEW SECTION. **Sec. 36.** A new section is added to chapter 82.12 RCW
2 to read as follows:

3 The provisions of this chapter shall not apply in respect to the
4 use of military aircraft training equipment transferred to Washington
5 state from another military installation in another state as a result
6 of the base closure act, P.L. 101-510, as amended by P.L. 102-311, 102-
7 484, 103-160, 103-337, and 103-421.

8 **Sec. 37.** RCW 9.41.070 and 1994 sp.s. c 7 s 407 and 1994 c 190 s 2
9 are each reenacted and amended to read as follows:

10 (1) The judge of a court of record, the chief of police of a
11 municipality, or the sheriff of a county, shall within thirty days
12 after the filing of an application of any person issue a license to
13 such person to carry a pistol concealed on his or her person within
14 this state for four years from date of issue, for the purposes of
15 protection or while engaged in business, sport, or while traveling.
16 However, if the applicant does not have a valid permanent Washington
17 driver's license or Washington state identification card or has not
18 been a resident of the state for the previous consecutive ninety days,
19 the issuing authority shall have up to sixty days after the filing of
20 the application to issue a license. The issuing authority shall not
21 refuse to accept completed applications for concealed pistol licenses
22 during regular business hours.

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

25 (a) Is ineligible to possess a firearm under the provisions of RCW
26 9.41.040;

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

28 (c) Is subject to a court order or injunction regarding firearms
29 pursuant to RCW 9A.46.080, 10.14.080, 10.99.040, 10.99.045, 26.09.050,
30 26.09.060, 26.10.040, 26.10.115, 26.26.130, 26.26.137, 26.50.060, or
31 26.50.070;

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

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

36 (f) Has been ordered to forfeit a firearm under RCW
37 9.41.098(1)((~~d~~)) (e) within one year before filing an application to
38 carry a pistol concealed on his or her person; or

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

3 (ii) Except as provided in (g)(iii) of this subsection, any person
4 who becomes ineligible for a concealed pistol license as a result of a
5 conviction for a crime listed in (g)(i) of this subsection and then
6 successfully completes all terms of his or her sentence, as evidenced
7 by a certificate of discharge issued under RCW 9.94A.220 in the case of
8 a sentence under chapter 9.94A RCW, and has not again been convicted of
9 any crime and is not under indictment for any crime, may, one year or
10 longer after such successful sentence completion, petition a court of
11 record for a declaration that the person is no longer ineligible for a
12 concealed pistol license under (g)(i) of this subsection.

13 (iii) No person convicted of a serious offense as defined in RCW
14 9.41.010 may have his or her right to possess firearms restored, unless
15 the person has been granted relief from disabilities by the secretary
16 of the treasury under 18 U.S.C. Sec. 925(c), or RCW 9.41.040 (3) or (4)
17 applies.

18 (2) The issuing authority shall check with the national crime
19 information center, the Washington state patrol electronic data base,
20 the department of social and health services electronic data base, and
21 with other agencies or resources as appropriate, to determine whether
22 the applicant is ineligible under RCW 9.41.040 to possess a pistol and
23 therefore ineligible for a concealed pistol license. This subsection
24 applies whether the applicant is applying for a new concealed pistol
25 license or to renew a concealed pistol license.

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

33 (4) The license application shall be in triplicate, in form to be
34 prescribed by the department of licensing, and shall bear the full
35 name, street address, date and place of birth, race, gender,
36 description, fingerprints, and signature of the licensee, and the
37 licensee's driver's license number or state identification card number
38 if used for identification in applying for the license. A signed
39 application for a concealed pistol license shall constitute a waiver of

1 confidentiality and written request that the department of social and
2 health services, mental health institutions, and other health care
3 facilities release information relevant to the applicant's eligibility
4 for a concealed pistol license to an inquiring court or law enforcement
5 agency.

6 The license application shall contain a warning substantially as
7 follows:

8 CAUTION: Although state and local laws do not differ, federal
9 law and state law on the possession of firearms differ. If you
10 are prohibited by federal law from possessing a firearm, you
11 may be prosecuted in federal court. A state license is not a
12 defense to a federal prosecution.

13 The license application shall contain a description of the major
14 differences between state and federal law and an explanation of the
15 fact that local laws and ordinances on firearms are preempted by state
16 law and must be consistent with state law. The application shall
17 contain questions about the applicant's eligibility under RCW 9.41.040
18 to possess a pistol, the applicant's place of birth, whether the
19 applicant is a United States citizen, and whether he or she has been
20 required to register with the state or federal government and has an
21 identification or registration number. The applicant shall not be
22 required to produce a birth certificate or other evidence of
23 citizenship. A person who is not a citizen of the United States shall
24 meet the additional requirements of RCW 9.41.170.

25 The original thereof shall be delivered to the licensee, the
26 duplicate shall within seven days be sent by registered mail to the
27 director of licensing and the triplicate shall be preserved for six
28 years, by the authority issuing the license.

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

32 (5) The fee for the original issuance of a four-year license shall
33 be ((fifty)) twenty-five dollars. No other branch or unit of state or
34 local government may impose any additional charges on the applicant for
35 the issuance of the license. Any fee charged by the federal government
36 for processing of fingerprint applications may be passed on to the
37 applicant.

38 The fee shall be distributed as follows:

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

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

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

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

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

14 The renewal fee shall be distributed as follows:

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

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

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

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

24 (8) A licensee may renew a license if the licensee applies for
25 renewal within ninety days before or after the expiration date of the
26 license. A license so renewed shall take effect on the expiration date
27 of the prior license. A licensee renewing after the expiration date of
28 the license must pay a late renewal penalty of (~~twenty~~) ten dollars
29 in addition to the renewal fee specified in subsection (6) of this
30 section. The fee shall be distributed as follows:

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

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

38 (9) Notwithstanding the requirements of subsections (1) through (8)
39 of this section, the chief of police of the municipality or the sheriff

1 of the county of the applicant's residence may issue a temporary
2 emergency license for good cause pending review under subsection (1) of
3 this section.

4 (10) A political subdivision of the state shall not modify the
5 requirements of this section or chapter, nor may a political
6 subdivision ask the applicant to voluntarily submit any information not
7 required by this section.

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

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

16 (a) To the municipality or to the county in which the applicant
17 resides if the applicant resides in a municipality;

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

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

21 **Sec. 38.** RCW 82.08.050 and 1993 sp.s. c 25 s 704 are each amended
22 to read as follows:

23 (1)(a) The tax hereby imposed shall be paid by the buyer to the
24 seller, and each seller shall collect from the buyer the full amount of
25 the tax payable in respect to each taxable sale in accordance with the
26 schedule of collections adopted by the department pursuant to the
27 provisions of RCW 82.08.060. The tax required by this chapter, to be
28 collected by the seller, minus the amount retained by the seller for
29 administration as provided in subsection (2) of this section, shall be
30 deemed to be held in trust by the seller until paid to the department,
31 and any seller who appropriates or converts the tax collected to his or
32 her own use or to any use other than the payment of the tax to the
33 extent that the money required to be collected is not available for
34 payment on the due date as prescribed in this chapter shall be guilty
35 of a gross misdemeanor.

36 (b) In case any seller fails to collect the tax herein imposed or
37 having collected the tax, fails to pay ~~((it))~~ the amount owed to the
38 department in the manner prescribed by this chapter, whether such

1 failure is the result of his or her own acts or the result of acts or
2 conditions beyond his or her control, he or she shall, nevertheless, be
3 personally liable to the state for the amount of the tax owed, unless
4 the seller has taken from the buyer in good faith a properly executed
5 resale certificate under RCW 82.04.470.

6 (c) The amount of tax, until paid by the buyer to the seller or to
7 the department, shall constitute a debt from the buyer to the seller
8 and any seller who fails or refuses to collect the tax as required with
9 intent to violate the provisions of this chapter or to gain some
10 advantage or benefit, either direct or indirect, and any buyer who
11 refuses to pay any tax due under this chapter shall be guilty of a
12 misdemeanor. The tax required by this chapter to be collected by the
13 seller shall be stated separately from the selling price in any sales
14 invoice or other instrument of sale. On all retail sales through
15 vending machines, the tax need not be stated separately from the
16 selling price or collected separately from the buyer. For purposes of
17 determining the tax due from the buyer to the seller and from the
18 seller to the department it shall be conclusively presumed that the
19 selling price quoted in any price list, sales document, contract or
20 other agreement between the parties does not include the tax imposed by
21 this chapter, but if the seller advertises the price as including the
22 tax or that the seller is paying the tax, the advertised price shall
23 not be considered the selling price.

24 (d) Where a buyer has failed to pay to the seller the tax imposed
25 by this chapter and the seller has not paid the amount of the tax owed
26 to the department, the department may, in its discretion, proceed
27 directly against the buyer for collection of the tax, in which case a
28 penalty of ten percent may be added to the amount of the tax for
29 failure of the buyer to pay the same to the seller, regardless of when
30 the tax may be collected by the department; and all of the provisions
31 of chapter 82.32 RCW, including those relative to interest and
32 penalties, shall apply in addition; and, for the sole purpose of
33 applying the various provisions of chapter 82.32 RCW, the twenty-fifth
34 day of the month following the tax period in which the purchase was
35 made shall be considered as the due date of the tax.

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

1 NEW SECTION. Sec. 39. A new section is added to chapter 82.08 RCW
2 to read as follows:

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

8 NEW SECTION. Sec. 40. A new section is added to chapter 82.04 RCW
9 to read as follows:

10 In computing tax there may be deducted from the measure of tax
11 amounts paid by the owner of an amusement device, as defined in RCW
12 66.44.316, to the person upon whose premises the device is operated, if
13 the amounts are paid at the time they are collected from the amusement
14 device.

15 **Sec. 41.** RCW 82.62.030 and 1986 c 116 s 17 are each amended to
16 read as follows:

17 (1) A person shall be allowed a credit against the tax due under
18 chapter 82.04 RCW (~~(of an amount equal to)~~) as provided in this
19 section. For an application approved before January 1, 1996, the
20 credit shall equal one thousand dollars for each qualified employment
21 position directly created in an eligible business project. For an
22 application approved on or after January 1, 1996, the credit shall
23 equal two thousand dollars for each qualified employment position
24 directly created in an eligible business project.

25 (2) The department shall keep a running total of all credits
26 granted under this chapter during each fiscal biennium. The department
27 shall not allow any credits which would cause the tabulation for a
28 biennium to exceed fifteen million dollars. If all or part of an
29 application for credit is disallowed under this subsection, the
30 disallowed portion shall be carried over for approval the next
31 biennium. However, the applicant's carryover into the next biennium is
32 only permitted if the tabulation for the next biennium does not exceed
33 fifteen million dollars as of the date on which the department has
34 disallowed the application.

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

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

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

5 NEW SECTION. **Sec. 42.** A new section is added to chapter 82.04 RCW
6 to read as follows:

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

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

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

21 (4) Prior to claiming the credit under this section, the business
22 must obtain approval of the proposed job training service from the
23 employment security department. The employer's request for approval
24 must include a description of the proposed job training service, how
25 the job training will enhance the employee's performance, and the cost
26 of the proposed job training.

27 (5) This section only applies to training in respect to eligible
28 business projects for which an application is approved on or after July
29 1, 1995.

30 **Sec. 43.** RCW 84.36.035 and 1971 ex.s. c 206 s 1 are each amended
31 to read as follows:

32 The following property shall be exempt from taxation:

33 All property, whether real or personal, belonging to or leased by
34 any nonprofit corporation or association and used exclusively in the
35 business of performing research on, procuring, testing, processing,
36 storing, packaging, distributing, or using human whole blood, plasma,
37 blood products, ~~((and))~~ blood derivatives, musculoskeletal tissue,

1 tissue derivatives, or related products, or in the administration of
2 such business. If the real or personal property is leased, the benefit
3 of the exemption shall inure to the nonprofit corporation or
4 association.

5 **Sec. 44.** RCW 84.36.805 and 1993 c 79 s 3 are each amended to read
6 as follows:

7 In order to be exempt pursuant to RCW 84.36.030, 84.36.550,
8 84.36.035, 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045,
9 84.36.047, 84.36.050, 84.36.060, 84.36.350, and 84.36.480, the
10 nonprofit organizations, associations or corporations shall satisfy the
11 following conditions:

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

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

18 (i) The rents and donations received for the use of the portion of
19 the property are reasonable and do not exceed the maintenance and
20 operation expenses attributable to the portion of the property loaned
21 or rented; and

22 (ii) Except for the exemptions under RCW 84.36.030(4) and
23 84.36.037, the property would be exempt from tax if owned by the
24 organization to which it is loaned or rented;

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

28 (2) The property is irrevocably dedicated to the purpose for which
29 exemption has been granted, and on the liquidation, dissolution, or
30 abandonment by said organization, association, or corporation, said
31 property will not inure directly or indirectly to the benefit of any
32 shareholder or individual, except a nonprofit organization,
33 association, or corporation which too would be entitled to property tax
34 exemption: PROVIDED, That the property need not be irrevocably
35 dedicated if it is leased or rented to those qualified for exemption
36 pursuant to RCW 84.36.035, 84.36.040, 84.36.041, or 84.36.043 or those
37 qualified for exemption as an association engaged in the production or
38 performance of musical, dance, artistic, dramatic, or literary works

1 pursuant to RCW 84.36.060, but only if under the terms of the lease or
2 rental agreement the nonprofit organization, association, or
3 corporation receives the benefit of the exemption;

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

6 (4) The organization, association, or corporation is duly licensed
7 or certified where such licensing or certification is required by law
8 or regulation;

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

12 (6) The director of the department of revenue shall have access to
13 its books in order to determine whether such organization, association,
14 or corporation is exempt from taxes within the intent of RCW 84.36.030,
15 84.36.035, 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045,
16 84.36.047, 84.36.050, 84.36.060, 84.36.350, and 84.36.480.

17 NEW SECTION. **Sec. 45.** A new section is added to chapter 82.04 RCW
18 to read as follows:

19 (1) As used in this section:

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

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

23 (c) "Tissue" includes human musculoskeletal tissue, musculoskeletal
24 tissue derivatives, and related products.

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

30 (e) "Medical supplies" means any item of tangible personal
31 property, including any repair and replacement parts for such tangible
32 personal property, used by a blood, tissue, or bone bank for the
33 purpose of performing research on, procuring, testing, processing,
34 storing, packaging, distributing, or using blood, bone, or tissue. The
35 term includes tangible personal property used to:

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

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

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

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

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

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

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

18 NEW SECTION. **Sec. 46.** A new section is added to chapter 82.08 RCW
19 to read as follows:

20 The tax levied by RCW 82.08.020 does not apply to the sale of
21 medical supplies, chemicals, or materials to a blood, bone, or tissue
22 bank. The definitions in section 45 of this act apply to this section.
23 The exemption in this section does not apply to the sale of
24 construction materials, office equipment, building equipment,
25 administrative supplies, or vehicles.

26 NEW SECTION. **Sec. 47.** A new section is added to chapter 82.12 RCW
27 to read as follows:

28 The provisions of this chapter do not apply in respect to the use
29 of medical supplies, chemicals, or materials by a blood, bone, or
30 tissue bank. The definitions in section 45 of this act apply to this
31 section. The exemption in this section does not apply to the use of
32 construction materials, office equipment, building equipment,
33 administrative supplies, or vehicles.

34 NEW SECTION. **Sec. 48.** A new section is added to chapter 82.04 RCW
35 to read as follows:

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

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

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

7 **Sec. 49.** RCW 48.32.145 and 1993 sp.s. c 25 s 901 are each amended
8 to read as follows:

9 Every member insurer that prior to April 1, 1993, or after the
10 effective date of this section, shall have paid one or more assessments
11 levied pursuant to RCW 48.32.060(1)(c) shall be entitled to take, as a
12 credit against any premium tax falling due under RCW 48.14.020, one-
13 fifth of the aggregate amount of such aggregate assessments during such
14 calendar year for each of the five consecutive calendar years beginning
15 with the calendar year following the calendar year in which such
16 assessments are paid. Whenever an assessment or uncredited portion of
17 an assessment is or becomes less than one thousand dollars, the entire
18 amount may be credited against the premium tax at the next time the
19 premium tax is paid.

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

21 **Sec. 50.** RCW 48.32A.090 and 1993 sp.s. c 25 s 902 are each amended
22 to read as follows:

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

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

37 100% for the calendar year of issuance;

1 80% for the first calendar year after the year of issuance;
2 60% for the second calendar year after the year of issuance;
3 40% for the third calendar year after the year of issuance;
4 20% for the fourth calendar year after the year of issuance; and
5 0% for the fifth and subsequent calendar years after the year of
6 issuance.

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

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

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

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

24 NEW SECTION. **Sec. 51.** A new section is added to chapter 82.08 RCW
25 to read as follows:

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

30 NEW SECTION. **Sec. 52.** A new section is added to chapter 82.12 RCW
31 to read as follows:

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

1 NEW SECTION. **Sec. 53.** For the purposes of sections 51 and 52 of
2 this act, "youth in crisis" means any youth under eighteen years of age
3 who is either: Homeless; a runaway from the home of a parent,
4 guardian, or legal custodian; abused; neglected; abandoned by a parent,
5 guardian, or legal custodian; or suffering from a substance abuse or
6 mental disorder.

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

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

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

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

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

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

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

28 (f) Delivery of a vessel to a buyer, vessel manufacturer,
29 registered vessel dealer as defined in RCW 88.02.010, or to any other
30 person involved in the manufacturing or sale of that vessel for the
31 purpose of the manufacturing or sale of that vessel; and

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

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

1 NEW SECTION. Sec. 55. A new section is added to chapter 82.12 RCW
2 to read as follows:

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

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

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

11 (c) Activities to promote the sale of the dealer's vessels, to
12 include photography and video sessions to be used in promotional
13 materials; traveling directly to and from promotional vessel events for
14 the express purpose of displaying a dealer's vessels for sale, provided
15 it is displayed on the vessel that it is, in fact, for sale and the
16 identification of the registered vessel dealer offering the vessel for
17 sale is also displayed on the vessel;

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

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

24 (f) Delivery of a vessel to a buyer, vessel manufacturer,
25 registered vessel dealer as defined in RCW 88.02.010, or to any other
26 person involved in the manufacturing or sale of that vessel for the
27 purpose of the manufacturing or sale of that vessel; and

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

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

34 NEW SECTION. Sec. 56. A new section is added to chapter 82.12 RCW
35 to read as follows:

36 If a vessel held in inventory is used by a vessel dealer or vessel
37 manufacturer for personal use, use tax shall be due based only on the
38 reasonable rental value of the vessel used, but only if the vessel

1 dealer or manufacturer can show that the vessel is truly held for sale
2 and that the dealer or manufacturer is and has been making good faith
3 efforts to sell the vessel. The department may by rule require dealers
4 and manufacturers to provide vessel logs or other documentation showing
5 that vessels are truly held for sale.

6 NEW SECTION. **Sec. 57.** A new section is added to chapter 82.04 RCW
7 to read as follows:

8 For purposes of RCW 82.04.290(3):

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

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

13 (b) At least ten percent of the gross income of such person is
14 derived from providing investment management services to any of the
15 following: (i) Persons or collective investment funds residing outside
16 the United States; or (ii) persons or collective investment funds with
17 at least ten percent of their investments located outside the United
18 States.

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

22 (3) "Collective investment fund" includes:

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

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

29 (c) An "employee benefit plan," which includes any plan, trust,
30 commingled employee benefit trust, or custodial arrangement that is
31 subject to the Employee Retirement Income Security Act of 1974, as
32 amended, 29 U.S.C. Sec. 1001 et seq., or that is described in sections
33 125, 401, 403, 408, 457, and 501(c)(9) and (17) through (23) of the
34 internal revenue code of 1986, as amended, or a similar plan maintained
35 by a state or local government, or a plan, trust, or custodial
36 arrangement established to self-insure benefits required by federal,
37 state, or local law;

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

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

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

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

14 **Sec. 58.** RCW 82.04.2201 and 1994 sp.s. c 10 s 1 are each amended
15 to read as follows:

16 There is levied and shall be collected for the period July 1, 1993,
17 through June 30, 1997, from every person for the act or privilege of
18 engaging in business activities, as a part of the tax imposed under RCW
19 82.04.220 through 82.04.280 and 82.04.290 (3) and (4), except RCW
20 82.04.250(1) and 82.04.260(15), an additional tax equal to 4.5 percent
21 multiplied by the tax payable under those sections.

22 To facilitate collection of these additional taxes, the department
23 of revenue is authorized to adjust the basic rates of persons to which
24 this section applies in such manner as to reflect the amount to the
25 nearest one-thousandth of one percent of the additional tax hereby
26 imposed, adjusting ten-thousandths equal to or greater than five ten-
27 thousandths to the greater thousandth.

28 NEW SECTION. **Sec. 59.** In 1993, the legislature extended retail
29 sales taxes to discretionary spending on landscape maintenance and
30 horticultural services. The legislature did not intend to extend, nor
31 did it believe it was extending, retail sales taxes to pruning,
32 trimming, repairing, removing, and clearing of trees and brush near
33 electric distribution or transmission lines or equipment by, or at the
34 direction of, an electric utility. The latter activities generally
35 require nondiscretionary expenditures by electric utilities in the
36 interests of public safety and minimizing unplanned power
37 interruptions.

1 The legislature finds that the department of revenue misinterpreted
2 the intent of the legislature by adopting a rule extending retail sales
3 taxes to pruning, trimming, repairing, removing, and clearing of trees
4 and brush near electric distribution or transmission lines or
5 equipment, performed by, or at the direction of, an electric utility.
6 As a result of this misinterpretation, the department of revenue has
7 improperly collected retail sales tax on such services.

8 To avoid disputes and potential litigation, the legislature finds
9 that persons having paid taxes under chapter 82.08 RCW on or after July
10 1, 1993, for pruning, trimming, repairing, removing, or clearing of
11 trees and brush near electric distribution or transmission lines or
12 equipment, performed by, or at the direction of, an electric utility,
13 are entitled to credit against present and future taxes due to the
14 department of revenue.

15 **Sec. 60.** RCW 82.04.050 and 1993 sp.s. c 25 s 301 are each amended
16 to read as follows:

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

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

27 (b) Installs, repairs, cleans, alters, imprints, improves,
28 constructs, or decorates real or personal property of or for consumers,
29 if such tangible personal property becomes an ingredient or component
30 of such real or personal property without intervening use by such
31 person; or

32 (c) Purchases for the purpose of consuming the property purchased
33 in producing for sale a new article of tangible personal property or
34 substance, of which such property becomes an ingredient or component or
35 is a chemical used in processing, when the primary purpose of such
36 chemical is to create a chemical reaction directly through contact with
37 an ingredient of a new article being produced for sale; or

1 (d) Purchases for the purpose of consuming the property purchased
2 in producing ferrosilicon which is subsequently used in producing
3 magnesium for sale, if the primary purpose of such property is to
4 create a chemical reaction directly through contact with an ingredient
5 of ferrosilicon; or

6 (e) Purchases for the purpose of providing the property to
7 consumers as part of competitive telephone service, as defined in RCW
8 82.04.065. The term shall include every sale of tangible personal
9 property which is used or consumed or to be used or consumed in the
10 performance of any activity classified as a "sale at retail" or "retail
11 sale" even though such property is resold or utilized as provided in
12 (a), (b), (c), (d), or (e) of this subsection following such use. The
13 term also means every sale of tangible personal property to persons
14 engaged in any business which is taxable under RCW 82.04.280 (2) and
15 (7) and 82.04.290.

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

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

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

33 (c) The charge for labor and services rendered in respect to
34 constructing, repairing, or improving any structure upon, above, or
35 under any real property owned by an owner who conveys the property by
36 title, possession, or any other means to the person performing such
37 construction, repair, or improvement for the purpose of performing such
38 construction, repair, or improvement and the property is then

1 reconveyed by title, possession, or any other means to the original
2 owner;

3 (d) The sale of or charge made for labor and services rendered in
4 respect to the cleaning, fumigating, razing or moving of existing
5 buildings or structures, but shall not include the charge made for
6 janitorial services; and for purposes of this section the term
7 "janitorial services" shall mean those cleaning and caretaking services
8 ordinarily performed by commercial janitor service businesses
9 including, but not limited to, wall and window washing, floor cleaning
10 and waxing, and the cleaning in place of rugs, drapes and upholstery.
11 The term "janitorial services" does not include painting, papering,
12 repairing, furnace or septic tank cleaning, snow removal or
13 sandblasting;

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

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

25 (g) The sale of or charge made for tangible personal property,
26 labor and services to persons taxable under (a), (b), (c), (d), (e),
27 and (f) of this subsection when such sales or charges are for property,
28 labor and services which are used or consumed in whole or in part by
29 such persons in the performance of any activity defined as a "sale at
30 retail" or "retail sale" even though such property, labor and services
31 may be resold after such use or consumption. Nothing contained in this
32 subsection shall be construed to modify subsection (1) of this section
33 and nothing contained in subsection (1) of this section shall be
34 construed to modify this subsection.

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

1 (a) Amusement and recreation services including but not limited to
2 golf, pool, billiards, skating, bowling, ski lifts and tows, and
3 others;

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

5 (c) Credit bureau services;

6 (d) Automobile parking and storage garage services;

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

12 (f) Service charges associated with tickets to professional
13 sporting events;

14 (g) Guided tours and guided charters; and

15 (h) The following personal services: Physical fitness services,
16 tanning salon services, tattoo parlor services, massage services, steam
17 bath services, turkish bath services, escort services, and dating
18 services.

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

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

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

32 (7) The term shall also not include sales of feed, seed, seedlings,
33 fertilizer, agents for enhanced pollination including insects such as
34 bees, and spray materials to persons who participate in the federal
35 conservation reserve program or its successor administered by the
36 United States department of agriculture, or to farmers for the purpose
37 of producing for sale any agricultural product, nor shall it include
38 sales of chemical sprays or washes to persons for the purpose of post-

1 harvest treatment of fruit for the prevention of scald, fungus, mold,
2 or decay.

3 (8) The term shall not include the sale of or charge made for labor
4 and services rendered in respect to the constructing, repairing,
5 decorating, or improving of new or existing buildings or other
6 structures under, upon, or above real property of or for the United
7 States, any instrumentality thereof, or a county or city housing
8 authority created pursuant to chapter 35.82 RCW, including the
9 installing, or attaching of any article of tangible personal property
10 therein or thereto, whether or not such personal property becomes a
11 part of the realty by virtue of installation. Nor shall the term
12 include the sale of services or charges made for the clearing of land
13 and the moving of earth of or for the United States, any
14 instrumentality thereof, or a county or city housing authority.

15 NEW SECTION. **Sec. 61.** A new section is added to chapter 82.04
16 RCW, to be codified after RCW 82.04.290, to read as follows:

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

24 NEW SECTION. **Sec. 62.** A new section is added to chapter 82.08 RCW
25 to read as follows:

26 A person may claim a credit against any taxes due to the department
27 of revenue under chapters 82.04, 82.12, and 82.16 RCW as provided in
28 this section. The credit is equal to the amount of taxes, including
29 penalties and interest on such taxes, paid by the person under this
30 chapter on or after July 1, 1993, for pruning, trimming, repairing,
31 removing, and clearing of trees and brush near electric distribution or
32 transmission lines or equipment, if performed by or at the direction of
33 an electric utility. A buyer who has paid such tax to the seller shall
34 claim the credit directly with the department of revenue. A seller may
35 claim the credit only if the seller has paid such tax to the department
36 and has not collected the tax from the buyer. The credit may be

1 carried forward and taken against taxes reported in subsequent
2 reporting periods until fully used.

3 NEW SECTION. **Sec. 63.** A new section is added to chapter 82.04 RCW
4 to read as follows:

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

9 (1) Lodging, conference and meeting rooms, camping facilities,
10 parking, and similar licenses to use real property;

11 (2) Food and meals;

12 (3) Books, tapes, and other products that are available exclusively
13 to the participants at the camp, conference, or meeting and are not
14 available to the public at large.

15 NEW SECTION. **Sec. 64.** A new section is added to chapter 82.08 RCW
16 to read as follows:

17 The tax levied by RCW 82.08.020 shall not apply to a sale made at
18 a camp or conference center if the gross income from the sale is exempt
19 under section 63 of this act.

20 **Sec. 65.** RCW 66.24.290 and 1994 sp.s. c 7 s 902 are each amended
21 to read as follows:

22 (1) Any brewer or beer wholesaler licensed under this title may
23 sell and deliver beer to holders of authorized licenses direct, but to
24 no other person, other than the board; and every such brewer or beer
25 wholesaler shall report all sales to the board monthly, pursuant to the
26 regulations, and shall pay to the board as an added tax for the
27 privilege of manufacturing and selling the beer within the state a tax
28 of two dollars and sixty cents per barrel of thirty-one gallons on
29 sales to licensees within the state and on sales to licensees within
30 the state of bottled and canned beer shall pay a tax computed in
31 gallons at the rate of two dollars and sixty cents per barrel of
32 thirty-one gallons. Any brewer or beer wholesaler whose applicable tax
33 payment is not postmarked by the twentieth day following the month of
34 sale will be assessed a penalty at the rate of two percent per month or
35 fraction thereof. Each such brewer or wholesaler shall procure from
36 the board revenue stamps representing such tax in form prescribed by

1 the board and shall affix the same to the barrel or package in such
2 manner and in such denominations as required by the board, and shall
3 cancel the same prior to commencing delivery from his or her place of
4 business or warehouse of such barrels or packages. Beer shall be sold
5 by brewers and wholesalers in sealed barrels or packages. The revenue
6 stamps provided under this section need not be affixed and canceled in
7 the making of resales of barrels or packages already taxed by the
8 affixation and cancellation of stamps as provided in this section.

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

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

20 (4)(a) An additional tax is imposed on all beer subject to tax
21 under subsection (1) of this section. The additional tax is equal to
22 ninety-six cents per barrel of thirty-one gallons through June 30,
23 1995, (~~two dollars and thirty nine cents per barrel of thirty one~~
24 ~~gallons for the period July 1, 1995, through June 30, 1997, and four~~
25 ~~dollars and seventy eight cents per barrel of thirty one gallons~~) and
26 thereafter.

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

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

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

1 NEW SECTION. Sec. 66. A new section is added to chapter 82.08 RCW
2 to read as follows:

3 (1) As used in this section:

4 (a) "Production equipment" means the following when used in motion
5 picture or video production or postproduction: Grip and lighting
6 equipment, cameras, camera mounts including tripods, jib arms,
7 steadicams, and other camera mounts, cranes, dollies, generators,
8 helicopter mounts, helicopters rented for motion picture or video
9 production, walkie talkies, vans and trucks specifically equipped for
10 motion picture or video production, wardrobe and makeup trailers,
11 special effects and stunt equipment, video assists, videotape
12 recorders, cables and connectors, teleprompters, sound recording
13 equipment, and editorial equipment.

14 (b) "Production services" means motion picture and video
15 processing, printing, editing, duplicating, animation, graphics,
16 special effects, negative cutting, conversions to other formats or
17 media, stock footage, sound mixing, rerecording, sound sweetening,
18 sound looping, sound effects, and automatic dialog replacement.

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

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

26 NEW SECTION. Sec. 67. A new section is added to chapter 82.12 RCW
27 to read as follows:

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

30 (a) Production equipment rented to a motion picture or video
31 production business;

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

36 (2) As used in this section, "production equipment" and "motion
37 picture or video production business" have the meanings given in
38 section 66 of this act.

1 NEW SECTION. **Sec. 68.** Captions as used in this act constitute no
2 part of the law.

3 NEW SECTION. **Sec. 69.** Sections 1 through 19, 20, 22, 27 through
4 35, 37 through 50, 54 through 58, and 63 through 67 of this act are
5 necessary for the immediate preservation of the public peace, health,
6 or safety, or support of the state government and its existing public
7 institutions, and shall take effect July 1, 1995.

8 NEW SECTION. **Sec. 70.** Sections 21, 36, 51 through 53, and 59
9 through 62 of this act are necessary for the immediate preservation of
10 the public peace, health, or safety, or support of the state government
11 and its existing public institutions, and shall take effect
12 immediately.

13 NEW SECTION. **Sec. 71.** Sections 19, 28, 29, 43, and 44 of this act
14 are effective for taxes levied for collection in 1996 and thereafter.

15 NEW SECTION. **Sec. 72.** Sections 23 through 26 of this act shall
16 take effect July 1, 1996.

17 NEW SECTION. **Sec. 73.** If any provision of this act or its
18 application to any person or circumstance is held invalid, the
19 remainder of the act or the application of the provision to other
20 persons or circumstances is not affected.

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