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**BILL REQUEST - CODE REVISER'S OFFICE**

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BILL REQ. #: I-2876.1/14

ATTY/TYPIST: JA:lel

BRIEF DESCRIPTION:

1 AN ACT Relating to promoting sustainable economic development;  
2 amending RCW 82.04.240, 82.04.240, 82.04.2404, 82.04.2909, 82.04.294,  
3 82.08.020, 82.04.4451, and 82.08.0206; reenacting and amending RCW  
4 82.32.790 and 82.04.260; adding a new chapter to Title 82 RCW; and  
5 providing an effective date.

6 BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** INTENT. The intent of this act is to reduce  
8 carbon emissions and encourage economic growth with a phased-in one  
9 percentage point reduction of the state sales tax, a reduction of the  
10 business and occupation tax on manufacturing, a tripling of the  
11 business and occupation tax credit for small businesses, and a sales  
12 tax rebate for qualifying low-income persons, all funded by a phased-in  
13 carbon pollution tax on fossil fuels consumed in the state. Sections  
14 4 through 6 of this act create accounts in the state treasury and  
15 concern withdrawals from those accounts; sections 7 through 9 of this  
16 act concern the carbon pollution tax; sections 10 through 16 of this  
17 act reduce the business and occupation tax on manufacturers; section 17  
18 of this act reduces the state sales tax; section 18 of this act  
19 increases the business and occupation tax credit for small businesses;

1 and section 19 of this act increases the working families' tax  
2 exemption. The proceeds of this tax are not intended to be used for  
3 highway purposes. This chapter is not intended to exempt any person  
4 from tax liability under any other law.

5 NEW SECTION. **Sec. 2.** FINDINGS AND DECLARATION OF POLICY. The  
6 people find that reduction of Washington state's high sales tax will  
7 increase commerce in this state; reduction of the business and  
8 occupation tax on manufacturers will encourage business formation by  
9 reducing the burden of this tax and encourage the expansion of existing  
10 manufacturing businesses; the funding of the working families tax  
11 rebate program will allow the execution of a policy expressed at the  
12 inception of that program; and the imposition of a fossil fuel tax to  
13 fund these actions will establish Washington state's national  
14 leadership in reducing both climate change and the acidification of the  
15 oceans.

16 NEW SECTION. **Sec. 3.** DEFINITIONS. The definitions in this  
17 section apply throughout this chapter unless the context clearly  
18 requires otherwise.

19 (1) "Aircraft fuel" has the same meaning as in RCW 82.42.010.

20 (2) "Carbon calculation" means carbon content calculations for  
21 fuels or combustible materials adopted by the energy information  
22 administration, the United States department of energy, or its  
23 successor in effect on January 1st of each year, which the department  
24 of revenue must put into effect by the following July 1st. If carbon  
25 content calculations cease to be so adopted, the last calculation  
26 effective on the last January 1st must be used.

27 (3) "Carbon pollution tax" means the tax created in section 7 of  
28 this act.

29 (4) "Coal" means coal of any kind, including anthracite coal,  
30 bituminous coal, subbituminous coal, lignite, waste coal, syncoal, and  
31 coke of any kind.

32 (5) "Direct service industrial customer" means a person who is an  
33 industrial customer that contracts for the purchase of electricity from  
34 outside the state or from the Bonneville power administration, in  
35 either case for direct consumption. "Direct service industrial  
36 customer" includes a person who is a subsidiary that is more than fifty

1 percent owned by a direct service industrial customer and who receives  
2 electricity from outside the state or from the Bonneville power  
3 administration, in either case, pursuant to the parent's contract for  
4 electricity.

5 (6) "Fossil fuel" means petroleum products, motor vehicle fuel,  
6 special fuel, aircraft fuel, natural gas, petroleum, coal, or any form  
7 of solid, liquid, or gaseous fuel derived from these products,  
8 including without limitation still gas and petroleum residuals  
9 including bunker fuel.

10 (7) "Load" means the amount of kilowatt-hours of electricity  
11 delivered in the most recently completed year by a qualifying utility  
12 to its Washington retail customers.

13 (8) "Motor vehicle fuel" has the same meaning as provided in RCW  
14 82.38.020.

15 (9) "Natural gas" means naturally occurring mixtures of hydrocarbon  
16 gases and vapors consisting principally of methane, whether in gaseous  
17 or liquid form, including methane clathrate.

18 (10) "Person" means any individual, division, or instrumentality of  
19 a government, business, corporation, partnership, or trust.

20 (11) "Petroleum product" has the same meaning as in RCW 82.23A.010.

21 (12) "Qualified sequestration" means sequestration qualified for  
22 credit pursuant to RCW 80.70.020 or sequestration of carbon in  
23 accordance with a method approved by the United States environmental  
24 protection agency or its successor.

25 (13) "Qualifying utility" means any electric utility that is:

26 (a) An "electrical company" as defined in RCW 80.04.010;

27 (b) Operating under authority of chapter 35.92 or 87.03 RCW or  
28 Title 54 RCW; or

29 (c) A profit, nonprofit, or mutual corporation operating within  
30 this state for the sale or distribution of electricity to others.

31 (14) "Rule" means a rule adopted by any agency or other entity of  
32 Washington state government to carry out the intent and purposes of  
33 this chapter.

34 (15) "Special fuel" has the same meaning as in RCW 82.38.020 and  
35 includes fuel that is sold or used to propel vessels.

36 (16) "Year" means the twelve-month period commencing January 1st  
37 and ending December 31st unless otherwise specified.



1 (a) Fossil fuels sold or used in Washington by any person (except  
2 fossil fuels used to generate electricity or to refine fossil fuels)  
3 including, but not limited to, fossil fuels sold or used for aviation  
4 or marine purposes, but excluding fossil fuels intended for export  
5 outside this state. Fuels containing fossil fuels must be taxed by the  
6 percentage of fossil-nonfossil fuel mix unless otherwise specified in  
7 this section. Export to a federally recognized Indian tribal  
8 reservation located within this state is not considered export outside  
9 this state;

10 (b) Fossil fuels used by a qualifying utility to generate  
11 electricity within Washington and fossil fuels intrinsically embedded  
12 in electricity by virtue of being a source of generating energy to  
13 generate electricity that:

14 (i) Are imported into Washington by or for the account of (by way  
15 of wheeling or otherwise) a direct service industrial customer; or

16 (ii) Are purchased from the Bonneville power administration by a  
17 qualifying utility or by a direct service industrial customer; and

18 (iii) Have carbon dioxide equivalent contents which, for purposes  
19 of this act, are determined by using the fuel mix data calculated and  
20 disclosed as provided in RCW 19.29A.060 by filing with the department;

21 (c) Fossil fuels used to refine fossil fuels the carbon dioxide  
22 contents of which, for purposes of this act, must be determined by  
23 using reports filed with the federal environmental protection agency or  
24 its successor under its greenhouse gas reporting program or successor  
25 program, a duplicate of which report by each refinery must be  
26 simultaneously filed with the department together with such information  
27 as the department may require by regulation.

28 (2) Any tax collected under this section must be reported and  
29 collected in the following manner with respect to the following fossil  
30 fuels:

31 (a) Petroleum and its products, including crude oil, plant  
32 condensate, lubricating oil, gasoline, kerosene, diesel motor fuel,  
33 benzol, fuel oil, residual oil, liquefiable gases, and every other  
34 product derived from the refining of crude oil in accordance with and  
35 at the intervals provided in chapter 82.23A RCW in accordance with  
36 supplemental regulations and forms the department adopts;

37 (b) Motor vehicle fuel, in accordance with and at the intervals

1 provided in chapter 82.36 RCW in accordance with supplemental  
2 regulations and forms the department adopts;

3 (c) Special fuel, in accordance with and at the intervals provided  
4 in chapter 82.36 RCW, and to the extent not covered therein, then in  
5 accordance with chapter 82.38 RCW, all in accordance with supplemental  
6 regulations and forms the department adopts;

7 (d) Aircraft fuel, in accordance with and at the intervals provided  
8 in chapter 82.42 RCW in accordance with supplemental regulations and  
9 forms the department adopts;

10 (e) Fossil fuels not listed in this subsection and not consumed to  
11 generate electricity, in accordance with chapters 82.08 and 82.12 RCW  
12 and supplemental regulations and forms the department adopts unless  
13 expressly provided otherwise in this section;

14 (f) Fossil fuels consumed to generate electricity must be reported  
15 in accordance with RCW 19.29A.060 to the department and collected in  
16 accordance with chapter 82.16 RCW with respect to light and power  
17 businesses with supplemental regulations and forms the department  
18 adopts. The department and the department of licensing may cooperate  
19 to adopt a consolidated form to be submitted to both departments; and

20 (g) Carbon pollution emanating into the atmosphere from refineries  
21 must be reported by each refinery operator as provided in subsection  
22 (2)(a) of this section, and the tax on the carbon reported thereon must  
23 be paid to the department within fifteen days thereafter in accordance  
24 with regulations adopted by the department.

25 (3) Tax collected under this section must be based upon the same  
26 tax schedule for in-state generated electricity as for out-of-state  
27 generated electricity. In the absence of a timely and accurate filing  
28 under subsection (2)(f) of this section, the applicable fuel mix is  
29 conclusively presumed to be one hundred percent subbituminous coal for  
30 the respective month.

31 (4) The carbon pollution tax must be reduced for uses of fossil  
32 fuels that can be shown and verified not to contribute to increasing  
33 carbon pollution by reason of qualified sequestration. The tax  
34 reduction in such cases must be proportional to the fraction of  
35 emissions that are so sequestered. The right to carbon pollution tax  
36 reduction under this subsection may not be transferred, traded, or  
37 banked.

1 (5) It is the intent and purpose of this act that the tax is  
2 imposed only once and at the time and place of the first taxable event  
3 and upon the first taxable person within this state. Any person whose  
4 activities would otherwise require payment of the tax imposed by this  
5 act but are exempt from the tax has a precollection obligation for the  
6 tax that must be imposed on the first taxable event within this state.  
7 Failure to pay the tax with respect to a taxable event may not prevent  
8 tax liability from arising by reason of a subsequent taxable event.

9 (6) The department must adopt rules as necessary to implement the  
10 carbon pollution tax and sequestration tax credits provided for in  
11 subsection (2) of this section. The department must develop and make  
12 available worksheets and guidance documents necessary to calculate the  
13 carbon pollution produced by various fossil fuels. The department must  
14 use the carbon calculation to calculate the amount of carbon pollution  
15 produced by each type of fuel and the consequent tax rate for each  
16 fuel.

17 (7) Any person extracting or importing fossil fuels or importing  
18 electricity is liable for payment of the carbon pollution tax imposed  
19 under this section with respect to those fuels or that electricity.

20 (8) While collected in accordance with the chapters referred to  
21 above, the proceeds of this separate and independent tax collected  
22 under this section must be deposited as set forth in the following  
23 order of priority:

24 (a) Into the carbon pollution tax account created in section 4 of  
25 this act from which withdrawals in favor of the funds identified in  
26 this section must be made;

27 (b) Into the sustainable economy working families' tax exemption  
28 account created in section 6 of this act: Funds determined as provided  
29 in section 5 of this act to be sufficient to provide the working  
30 families' tax exemption in RCW 82.08.0206 including administrative  
31 costs incurred to implement this exemption;

32 (c) Into the general fund: All remaining funds.

33 NEW SECTION. **Sec. 8.** EXEMPTIONS. (1) The tax levied under  
34 section 7 of this act does not apply to:

35 (a) Fossil fuels brought into this state by means of the fuel  
36 supply tank of a motor vehicle, vessel, locomotive, or aircraft;

1 (b) Diesel fuel, biodiesel fuel, or aircraft fuel, used solely for  
2 agricultural purposes. This exemption is available only if the buyer  
3 provides the seller with an exemption certificate in a form and manner  
4 prescribed by the department.

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

7 (a) "Agricultural purposes" means the performance of activities  
8 directly related to the growing, raising, or producing of agricultural  
9 products.

10 (b) "Agricultural purposes" does not include:

11 (i) Heating space for human habitation or pumping water for human  
12 consumption; or

13 (ii) Transportation on public roads, except when the transportation  
14 is incidental to transportation on private property.

15 (c) "Aircraft fuel" is defined as provided in RCW 82.42.010.

16 (d) "Biodiesel fuel" is defined as provided in RCW 19.112.010.

17 (e) "Diesel fuel" is defined as provided in 26 U.S.C. Sec. 4083, as  
18 amended or renumbered as of January 1, 2006.

19 (f) "Farm fossil fuel user" means: (i) A farmer; or (ii) a person  
20 who provides horticultural services for farmers, such as soil  
21 preparation services, crop cultivation services, and crop harvesting  
22 services.

23 (g) "Farmer" has the same meaning as provided in RCW 82.04.213.

24 (3) Nothing in this chapter may be construed to exempt the state or  
25 any political subdivision thereof from the payment of the tax.

26 NEW SECTION. **Sec. 9.** DELINQUENCY, LATE FILING PENALTY, INTEREST  
27 ON DELINQUENT TAX. The tax levied by section 7 of this act is  
28 delinquent if not paid by the applicable due date under RCW 1.12.040,  
29 after the due date, interest accrues at the higher of (1) twelve  
30 percent per annum or (2) six percentage points above the equivalent  
31 coupon issue yield (as published by the board of governors of the  
32 federal reserve system) of the average bill rate for twenty-six week  
33 treasury bills as determined at the first bill market auction conducted  
34 during the calendar month immediately preceding the due date, until  
35 paid.

1       **Sec. 10.** RCW 82.04.240 and 2004 c 24 s 4 are each amended to read  
2 as follows:

3       (1) Upon every person engaging within this state in business as a  
4 manufacturer, except persons taxable as manufacturers under other  
5 provisions of this chapter; as to such persons the amount of the tax  
6 with respect to such business (~~((shall be))~~) is equal to the value of the  
7 products, including byproducts, manufactured, multiplied by the rate of  
8 (~~((0.484))~~) 0.001 percent.

9       (2) The measure of the tax is the value of the products, including  
10 byproducts, so manufactured regardless of the place of sale or the fact  
11 that deliveries may be made to points outside the state.

12       **Sec. 11.** RCW 82.04.240 and 2010 c 114 s 104 are each amended to  
13 read as follows:

14       (1) Upon every person engaging within this state in business as a  
15 manufacturer, except persons taxable as manufacturers under other  
16 provisions of this chapter; as to such persons the amount of the tax  
17 with respect to such business is equal to the value of the products,  
18 including byproducts, manufactured, multiplied by the rate of (~~((0.484))~~)  
19 0.001 percent.

20       (2)(a) Upon every person engaging within this state in the business  
21 of manufacturing semiconductor materials, as to such persons the amount  
22 of tax with respect to such business is, in the case of manufacturers,  
23 equal to the value of the product manufactured, or, in the case of  
24 processors for hire, equal to the gross income of the business,  
25 multiplied by the rate of 0.275 percent. For the purposes of this  
26 subsection "semiconductor materials" means silicon crystals, silicon  
27 ingots, raw polished semiconductor wafers, compound semiconductors,  
28 integrated circuits, and microchips.

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

32       (c) This subsection (2) expires twelve years after the effective  
33 date of this act.

34       (3) The measure of the tax is the value of the products, including  
35 byproducts, so manufactured regardless of the place of sale or the fact  
36 that deliveries may be made to points outside the state.

1       **Sec. 12.** RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s 401  
2 are each reenacted and amended to read as follows:

3       (1)(a) Section 11, chapter . . . , Laws of 2015 (section 11 of this  
4 act), section 206, chapter 106, Laws of 2010, sections 104, 110, 117,  
5 123, 125, 129, 131, and 150, chapter 114, Laws of 2010, section 3,  
6 chapter 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and  
7 section 4, chapter 149, Laws of 2003 are contingent upon the siting and  
8 commercial operation of a significant semiconductor microchip  
9 fabrication facility in the state of Washington.

10       (b) For the purposes of this section:

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

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

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

18       (2) Chapter 149, Laws of 2003 takes effect the first day of the  
19 month in which a contract for the construction of a significant  
20 semiconductor fabrication facility is signed, as determined by the  
21 director of the department of revenue.

22       (3)(a) The department of revenue must provide notice of the  
23 effective date of section 11, chapter . . . , Laws of 2015 (section 11  
24 of this act), section 206, chapter 106, Laws of 2010, sections 104,  
25 110, 117, 123, 125, 129, 131, and 150, chapter 114, Laws of  
26 2010(~~(+)~~), section 3, chapter 461, Laws of 2009, section 7, chapter  
27 300, Laws of 2006, and section 4, chapter 149, Laws of 2003 to affected  
28 taxpayers, the legislature, and others as deemed appropriate by the  
29 department.

30       (b) If, after making a determination that a contract has been  
31 signed and chapter 149, Laws of 2003 is effective, the department  
32 discovers that commencement of commercial production did not take place  
33 within three years of the date the contract was signed, the department  
34 must make a determination that chapter 149, Laws of 2003 is no longer  
35 effective, and all taxes that would have been otherwise due are deemed  
36 deferred taxes and are immediately assessed and payable from any person  
37 reporting tax under RCW 82.04.240(2) or claiming an exemption or credit

1 under section 2 or 5 through 10, chapter 149, Laws of 2003. The  
2 department is not authorized to make a second determination regarding  
3 the effective date of chapter 149, Laws of 2003.

4 **Sec. 13.** RCW 82.04.2404 and 2010 c 114 s 105 are each amended to  
5 read as follows:

6 (1) Upon every person engaging within this state in the business of  
7 manufacturing or processing for hire semiconductor materials, as to  
8 such persons the amount of tax with respect to such business is, in the  
9 case of manufacturers, equal to the value of the product manufactured,  
10 or, in the case of processors for hire, equal to the gross income of  
11 the business, multiplied by the rate of (~~(0.275)~~) 0.001 percent.

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

15 (3) A person reporting under the tax rate provided in this section  
16 must file a complete annual report with the department under RCW  
17 82.32.534.

18 (4) This section expires December 1, 2018.

19 **Sec. 14.** RCW 82.04.2909 and 2011 c 174 s 301 are each amended to  
20 read as follows:

21 (1) Upon every person who is an aluminum smelter engaging within  
22 this state in the business of manufacturing aluminum; as to such  
23 persons the amount of tax with respect to such business is, in the case  
24 of manufacturers, equal to the value of the product manufactured, or in  
25 the case of processors for hire, equal to the gross income of the  
26 business, multiplied by the rate of (~~(.2904)~~) 0.001 percent.

27 (2) Upon every person who is an aluminum smelter engaging within  
28 this state in the business of making sales at wholesale of aluminum  
29 manufactured by that person, as to such persons the amount of tax with  
30 respect to such business is equal to the gross proceeds of sales of the  
31 aluminum multiplied by the rate of .2904 percent.

32 (3) A person reporting under the tax rate provided in this section  
33 must file a complete annual report with the department under RCW  
34 82.32.534.

35 (4) This section expires January 1, 2017.

1           **Sec. 15.** RCW 82.04.260 and 2014 c 140 s 6 and 2014 c 140 s 4 are  
2 each reenacted and amended to read as follows:

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

5           (a) Wheat into flour, barley into pearl barley, soybeans into  
6 soybean oil, canola into canola oil, canola meal, or canola by-  
7 products, or sunflower seeds into sunflower oil; as to such persons the  
8 amount of tax with respect to such business is equal to the value of  
9 the flour, pearl barley, oil, canola meal, or canola by-product  
10 manufactured, multiplied by the rate of (~~(0.138)~~) 0.001 percent;

11           (b) Beginning July 1, 2015, seafood products that remain in a raw,  
12 raw frozen, or raw salted state at the completion of the manufacturing  
13 by that person; or selling manufactured seafood products that remain in  
14 a raw, raw frozen, or raw salted state at the completion of the  
15 manufacturing, to purchasers who transport in the ordinary course of  
16 business the goods out of this state; as to such persons the amount of  
17 tax with respect to such business is equal to the value of the products  
18 manufactured or the gross proceeds derived from such sales, multiplied  
19 by the rate of (~~(0.138)~~) 0.001 percent. Sellers must keep and preserve  
20 records for the period required by RCW 82.32.070 establishing that the  
21 goods were transported by the purchaser in the ordinary course of  
22 business out of this state;

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

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

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

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

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

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

12 (d)(i) Beginning July 1, 2015, fruits or vegetables by canning,  
13 preserving, freezing, processing, or dehydrating fresh fruits or  
14 vegetables, or selling at wholesale fruits or vegetables manufactured  
15 by the seller by canning, preserving, freezing, processing, or  
16 dehydrating fresh fruits or vegetables and sold to purchasers who  
17 transport in the ordinary course of business the goods out of this  
18 state; as to such persons the amount of tax with respect to such  
19 business is equal to the value of the products manufactured or the  
20 gross proceeds derived from such sales multiplied by the rate of  
21 ~~((0.138))~~ 0.001 percent. Sellers must keep and preserve records for  
22 the period required by RCW 82.32.070 establishing that the goods were  
23 transported by the purchaser in the ordinary course of business out of  
24 this state.

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

28 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel  
29 feedstock, as those terms are defined in RCW 82.29A.135; as to such  
30 persons the amount of tax with respect to the business is equal to the  
31 value of alcohol fuel, biodiesel fuel, or biodiesel feedstock  
32 manufactured, multiplied by the rate of ~~((0.138))~~ 0.001 percent; and

33 (f) Wood biomass fuel as defined in RCW 82.29A.135; as to such  
34 persons the amount of tax with respect to the business is equal to the  
35 value of wood biomass fuel manufactured, multiplied by the rate of  
36 ~~((0.138))~~ 0.001 percent.

37 (2) Upon every person engaging within this state in the business of

1 splitting or processing dried peas; as to such persons the amount of  
2 tax with respect to such business is equal to the value of the peas  
3 split or processed, multiplied by the rate of (~~0.138~~) 0.001 percent.

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

9 (4) Upon every person engaging within this state in the business of  
10 slaughtering, breaking and/or processing perishable meat products  
11 and/or selling the same at wholesale only and not at retail; as to such  
12 persons the tax imposed is equal to the gross proceeds derived from  
13 such sales multiplied by the rate of (~~0.138~~) 0.001 percent.

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

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

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

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

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

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

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

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

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

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

11 (ii) (~~0.2904~~) 0.001 percent beginning July 1, 2007.

12 (b) Beginning July 1, 2008, upon every person who is not eligible  
13 to report under the provisions of (a) of this subsection (11) and is  
14 engaging within this state in the business of manufacturing tooling  
15 specifically designed for use in manufacturing commercial airplanes or  
16 components of such airplanes, or making sales, at retail or wholesale,  
17 of such tooling manufactured by the seller, as to such persons the  
18 amount of tax with respect to such business is, in the case of  
19 manufacturers, equal to the value of the product manufactured and the  
20 gross proceeds of sales of the product manufactured, or in the case of  
21 processors for hire, be equal to the gross income of the business,  
22 multiplied by the rate of (~~0.2904~~) 0.001 percent.

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

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

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

31 (ii) With respect to the manufacturing of commercial airplanes or  
32 making sales, at retail or wholesale, of commercial airplanes, this  
33 subsection (11) does not apply on and after July 1st of the year in  
34 which the department makes a determination that any final assembly or  
35 wing assembly of any version or variant of a commercial airplane that  
36 is the basis of a siting of a significant commercial airplane  
37 manufacturing program in the state under RCW 82.32.850 has been sited  
38 outside the state of Washington. This subsection (11)(e)(ii) only

1 applies to the manufacturing or sale of commercial airplanes that are  
2 the basis of a siting of a significant commercial airplane  
3 manufacturing program in the state under RCW 82.32.850.

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

12 (b) Until July 1, 2024, upon every person engaging within this  
13 state in the business of manufacturing or processing for hire: (i)  
14 Timber into timber products or wood products; or (ii) timber products  
15 into other timber products or wood products; as to such persons the  
16 amount of the tax with respect to the business is, in the case of  
17 manufacturers, equal to the value of products, including by-products,  
18 manufactured, or in the case of processors for hire, equal to the gross  
19 income of the business, multiplied by the rate of 0.4235 percent from  
20 July 1, 2006, through June 30, 2007, and (~~0.2904~~) 0.001 percent from  
21 July 1, 2007, through June 30, 2024.

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

32 (d) Until July 1, 2024, upon every person engaging within this  
33 state in the business of selling standing timber; as to such persons  
34 the amount of the tax with respect to the business is equal to the  
35 gross income of the business multiplied by the rate of 0.2904 percent.  
36 For purposes of this subsection (12)(d), "selling standing timber"  
37 means the sale of timber apart from the land, where the buyer is  
38 required to sever the timber within thirty months from the date of the

1 original contract, regardless of the method of payment for the timber  
2 and whether title to the timber transfers before, upon, or after  
3 severance.

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

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

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

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

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

30 (v) "Timber products" means:

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

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

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

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

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

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

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

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

21 **Sec. 16.** RCW 82.04.294 and 2013 2nd sp.s. c 13 s 902 are each  
22 amended to read as follows:

23 (1) Upon every person engaging within this state in the business of  
24 manufacturing solar energy systems using photovoltaic modules or  
25 stirling converters, or of manufacturing solar grade silicon, silicon  
26 solar wafers, silicon solar cells, thin film solar devices, or compound  
27 semiconductor solar wafers to be used exclusively in components of such  
28 systems; as to such persons the amount of tax with respect to such  
29 business is, in the case of manufacturers, equal to the value of the  
30 product manufactured, or in the case of processors for hire, equal to  
31 the gross income of the business, multiplied by the rate of (~~0.275~~)  
32 0.001 percent.

33 (2) Upon every person engaging within this state in the business of  
34 making sales at wholesale of solar energy systems using photovoltaic  
35 modules or stirling converters, or of solar grade silicon, silicon  
36 solar wafers, silicon solar cells, thin film solar devices, or compound  
37 semiconductor solar wafers to be used exclusively in components of such

1 systems, manufactured by that person; as to such persons the amount of  
2 tax with respect to such business is equal to the gross proceeds of  
3 sales of the solar energy systems using photovoltaic modules or  
4 stirling converters, or of the solar grade silicon to be used  
5 exclusively in components of such systems, multiplied by the rate of  
6 0.275 percent.

7 (3) Silicon solar wafers, silicon solar cells, thin film solar  
8 devices, solar grade silicon, or compound semiconductor solar wafers  
9 are "semiconductor materials" for the purposes of RCW 82.08.9651 and  
10 82.12.9651.

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

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

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

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

21 (d) "Silicon solar cells" means a photovoltaic cell manufactured  
22 from a silicon solar wafer.

23 (e) "Silicon solar wafers" means a silicon wafer manufactured for  
24 solar conversion purposes.

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

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

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

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

37 (5) A person reporting under the tax rate provided in this section

1 must file a complete annual survey with the department under RCW  
2 82.32.585.

3 (6) This section expires June 30, 2017.

4 **Sec. 17.** RCW 82.08.020 and 2014 c 140 s 12 are each amended to  
5 read as follows:

6 (1) Beginning July 1, 2015, there is levied and collected a tax  
7 equal to six ((and five tenths)) percent, decreasing to five and  
8 five-tenths percent beginning July 1, 2016, of the selling price on  
9 each retail sale in this state of:

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

12 (b) Digital goods, digital codes, and digital automated services,  
13 if the sale is included within the RCW 82.04.050 definition of retail  
14 sale;

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

17 (d) Extended warranties to consumers; and

18 (e) Anything else, the sale of which is included within the RCW  
19 82.04.050 definition of retail sale.

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

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

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

33 (a) Farm tractors or farm vehicles as defined in RCW 46.04.180 and  
34 46.04.181, unless the farm tractor or farm vehicle is for use in the  
35 production of marijuana;

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

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

1 (d) Snowmobiles as defined in RCW 46.04.546.

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

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

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

11 **Sec. 18.** RCW 82.04.4451 and 2010 1st sp.s. c 23 s 1102 are each  
12 amended to read as follows:

13 (1) In computing the tax imposed under this chapter, a credit is  
14 allowed against the amount of tax otherwise due under this chapter, as  
15 provided in this section. Except for taxpayers that report at least  
16 fifty percent of their taxable amount under RCW 82.04.255,  
17 82.04.290(2)(a), and 82.04.285, the maximum credit for a taxpayer for  
18 a reporting period is (~~(thirty-five)~~) one hundred five dollars  
19 multiplied by the number of months in the reporting period, as  
20 determined under RCW 82.32.045. For a taxpayer that reports at least  
21 fifty percent of its taxable amount under RCW 82.04.255,  
22 82.04.290(2)(a), and 82.04.285, the maximum credit for a reporting  
23 period is (~~(seventy)~~) two hundred ten dollars multiplied by the number  
24 of months in the reporting period, as determined under RCW 82.32.045.

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

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

32 (4) The department may prepare a tax credit table consisting of tax  
33 ranges using increments of no more than five dollars and a  
34 corresponding tax credit to be applied to those tax ranges. The table  
35 shall be prepared in such a manner that no taxpayer will owe a greater  
36 amount of tax by using the table than would be owed by performing the

1 calculation under subsections (1) through (3) of this section. A table  
2 prepared by the department under this subsection must be used by all  
3 taxpayers in taking the credit provided in this section.

4 **Sec. 19.** RCW 82.08.0206 and 2008 c 325 s 2 are each amended to  
5 read as follows:

6 (1) A working families' tax exemption, in the form of a remittance  
7 tax due under this chapter and chapter 82.12 RCW, is provided to  
8 eligible low-income persons for sales taxes paid under this chapter  
9 after January 1, 2008.

10 (2) For purposes of the exemption in this section, an eligible low-  
11 income person is:

12 (a) An individual, or an individual and that individual's spouse if  
13 they file a federal joint income tax return;

14 (b) (~~((An individual who))~~) An individual who is eligible for, and  
15 is granted, the credit provided in Title 26 U.S.C. Sec. 32; and

16 (c) (~~((An individual who))~~) An individual who properly files a  
17 federal income tax return as a Washington resident, and has been a  
18 resident of the state of Washington more than one hundred eighty days  
19 of the year for which the exemption is claimed.

20 (3) For remittances made in 2009 and 2010, the working families'  
21 tax exemption for the prior year is a retail sales tax exemption equal  
22 to the greater of five percent of the credit granted as a result of  
23 Title 26 U.S.C. Sec. 32 of the federal internal revenue code in the  
24 most recent year for which data is available or twenty-five dollars.  
25 For (~~((2011 and thereafter))~~) 2015, the working families' tax exemption  
26 for the prior year is equal to the greater of (~~((ten))~~) fifteen percent  
27 of the credit granted as a result of Title 26 U.S.C. Sec. 32 of the  
28 federal internal revenue code in the most recent year for which data is  
29 available or (~~((fifty))~~) one hundred dollars. For 2016 and thereafter,  
30 the working families' tax exemption for the prior year is equal to the  
31 greater of twenty-five percent of the credit granted as a result of 26  
32 U.S.C. Sec. 32 of the federal internal revenue code in the most recent  
33 year for which data is available or one hundred dollars.

34 (4) For any fiscal period, the working families' tax exemption  
35 authorized under this section (~~((shall))~~) must be approved by the  
36 legislature in the state omnibus appropriations act before persons may  
37 claim the exemption during the fiscal period.

1 (5) The working families' tax exemption (~~shall~~) must be  
2 administered as provided in this subsection.

3 (a) An eligible low-income person claiming an exemption under this  
4 section must pay the tax imposed under chapters 82.08, 82.12, and 82.14  
5 RCW in the year for which the exemption is claimed. The eligible low-  
6 income person may then apply to the department for the remittance as  
7 calculated under subsection (3) of this section.

8 (b) Application (~~shall~~) must be made to the department in a form  
9 and manner determined by the department, but the department must  
10 provide alternative filing methods for applicants who do not have  
11 access to electronic filing.

12 (c) Application for the exemption remittance under this section  
13 must be made in the year following the year for which the federal  
14 return was filed, but in no case may any remittance be provided for any  
15 period before January 1, 2008. The department may use the best  
16 available data to process the exemption remittance. The department  
17 shall begin accepting applications October 1, 2009.

18 (d) The department (~~shall~~) must review the application and  
19 determine eligibility for the working families' tax exemption based on  
20 information provided by the applicant and through audit and other  
21 administrative records, including, when it deems it necessary,  
22 verification through internal revenue service data.

23 (e) The department (~~shall~~) must remit the exempted amounts to  
24 eligible low-income persons who submitted applications. Remittances  
25 may be made by electronic funds transfer or other means.

26 (f) The department may, in conjunction with other agencies or  
27 organizations, design and implement a public information campaign to  
28 inform potentially eligible persons of the existence of and  
29 requirements for this exemption.

30 (g) The department may contact persons who appear to be eligible  
31 low-income persons as a result of information received from the  
32 internal revenue service under such conditions and requirements as the  
33 internal revenue service may by law require.

34 (6) The provisions of chapter 82.32 RCW apply to the exemption in  
35 this section.

36 (7) The department may adopt rules necessary to implement this  
37 section.

1 (8) The department (~~shall~~) must limit its costs for the exemption  
2 program to the initial start-up costs to implement the program. The  
3 state omnibus appropriations act (~~shall~~) must specify funding to be  
4 used for the ongoing administrative costs of the program. These  
5 ongoing administrative costs include, but are not limited to, costs  
6 for: The processing of internet and mail applications, verification of  
7 application claims, compliance and collections, additional full-time  
8 employees at the department's call center, processing warrants,  
9 updating printed materials and web information, media advertising, and  
10 support and maintenance of computer systems.

11 NEW SECTION. **Sec. 20.** The department and the department of  
12 licensing must adopt rules as necessary for the implementation of this  
13 chapter and may coordinate concerning the process, timelines, and  
14 documentation related to such rule making, as necessary.

15 NEW SECTION. **Sec. 21.** If any provision of this act or its  
16 application to any person or circumstance is held invalid, the  
17 remainder of the act or the application of the provision to other  
18 persons or circumstances is not affected.

19 NEW SECTION. **Sec. 22.** This chapter may be known and cited as the  
20 environmental tax reform act.

21 NEW SECTION. **Sec. 23.** Sections 1 through 9, 20, and 22 of this  
22 act constitute a new chapter in Title 82 RCW.

23 NEW SECTION. **Sec. 24.** This act takes effect July 1, 2015.

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