

State of Washington
Joint Legislative Audit & Review Committee (JLARC)

2010 Expedited Light Tax Preferences

January 5, 2011

This report includes information from the Department of Revenue (DOR) on 38 tax preferences with a fiscal impact of less than \$2 million per biennium. JLARC does not evaluate these smaller tax preferences, but the DOR information is provided for reference.

Upon request, this document is available in alternative formats for persons with disabilities.

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JLARC's non-partisan staff auditors, under the direction of the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee.

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2010 Expedited Light Tax Preferences

January 5, 2011



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REPORT SUMMARY

What Is a Tax Preference?

Tax preferences are exemptions, exclusions, or deductions from the base of a state tax; a credit against a state tax; a deferral of a state tax; or a preferential state tax rate. Washington has nearly 590 tax preferences.

Why a JLARC Review of Tax Preferences?

Legislature Creates a Process to Review Tax Preferences

In 2006, the Legislature expressly stated that periodic reviews of tax preferences are needed to determine if their continued existence or modification serves the public interest. The Legislature enacted Engrossed House Bill 1069 to provide for an orderly process for the review of tax preferences. The legislation assigns specific roles in the process to two different entities. The Legislature assigns the job of scheduling tax preferences, holding public hearings, and commenting on the reviews to the Citizen Commission for Performance Measurement of Tax Preferences. The Legislature assigns responsibility for conducting the reviews to the staff of the Joint Legislative Audit and Review Committee (JLARC).

Citizen Commission Sets the Schedule

EHB 1069 directs the Citizen Commission for Performance Measurement of Tax Preferences to develop a schedule to accomplish a review of tax preferences at least once every ten years. The legislation directs the Commission to omit certain tax preferences from the schedule such as those required by constitutional law.

The Legislature also directs the Commission to consider two additional factors in developing its schedule. First, the Commission is to schedule tax preferences for review in the order in which the preferences were enacted into law, except that the Commission must schedule tax preferences that have a statutory expiration date before the preference expires. This means that Washington's longest-standing tax preferences are evaluated first.

Second, the Commission has discretion to schedule less detailed reviews for tax preferences with an estimated biennial fiscal impact of \$10 million or less. The Commission has identified three categories of review, based on each tax preference's impact:

1. Full reviews (over \$10 million);
2. Expedited reviews (over \$2 million, up to \$10 million); and
3. Expedited Light reviews (\$2 million or less).

In October 2009, the Commission adopted its fourth ten-year schedule for the tax preference reviews. The schedule for 2010 includes a total of 58 tax preferences under the business and occupation tax, public utility tax, sales tax, use tax, property tax, motor vehicle fuel tax, special fuel tax, litter tax, real estate excise tax, leasehold excise tax, and the insurance premiums tax. Of these 58 tax preferences, the Commission scheduled 38 tax preferences for the Expedited Light review process. This report addresses those 38 tax preferences. JLARC's full review of 10 tax preferences and expedited review of 10 tax preferences as scheduled by the Commission are included in separate reports.

JLARC Staff Do Not Evaluate the Expedited Light Category of Tax Preferences

JLARC's assignment from EHB 1069 is to conduct the reviews of tax preferences according to the schedule developed by the Commission and consistent with the guidelines set forth in statute.

JLARC staff use a performance audit process to evaluate and make recommendations for tax preferences that are larger than \$2 million in biennial impact. For workload reasons, however, the Commission directed JLARC staff to not conduct performance audits for the smaller Expedited Light reviews included in this report. Instead, this report provides the information contained in the Department of Revenue's 2008 Tax Exemption Report. The 2008 Tax Exemption Report summarizes each tax preference's purpose, primary beneficiaries, and taxpayer savings. Some preferences do not include this information because the preference may have been enacted after the Department's 2008 Tax Exemption report. In those cases, the Department of Revenue has provided a summary and estimated revenue impact.

Though this report does not contain JLARC recommendations for the preferences subject to Expedited Light review, the Commission may still elect to provide comments about these preferences for the Legislature at its October 2010 Commission meeting.

Table of Tax Preferences in the 2010 Expedited Light Report

Brief Description	RCW Citation	Year Enacted	Biennial Fiscal Impact (\$000)
1. Accommodation sales	82.04.425	1955	\$211
2. Driver training vehicles	82.12.0264	1955	\$554
3. Fuel used in urban transportation	82.36.275; 82.38.080	1957	\$987
4. Ship under construction	84.36.079	1959	\$0
5. Goods in transit	84.36.300	1961	*
6. Purchases by residents of Alaska & Hawaii	82.08.0269	1961	\$0
7. Expenditures for watershed & flood protection	82.08.0271; 82.12.930	1963	\$44
8. Agricultural fairs	82.04.335	1965	\$824
9. Sand and gravel for local road construction	82.04.415	1965	\$342
10. Water cooperatives	84.36.250	1965	\$1,491

Report Summary

Brief Description	RCW Citation	Year Enacted	Biennial Fiscal Impact (\$000)
11. Semen for artificial insemination	82.08.0272; 82.12.0267	1965	\$870
12. Form lumber	82.08.0274; 82.12.0268	1965	\$0
13. Pollution control facilities	82.04.427; 82.34.060(2)	1967	\$681
14. Processors of dry peas	82.04.260(2)	1967	\$63
15. Sales of fuel to foreign governments	82.36.245	1967	\$8
16. Credit for pollution control facilities	82.16.045; 82.34.060(2)	1967	\$675
17. Transit deduction for Metro	35.58.560	1967	\$1,200
18. Credit for tax paid on pollution control facilities	82.34.050(2)	1967	\$65
19. Pollen	82.08.0277; 82.12.0273	1967	\$58
20. Interest on agricultural loans	82.04.4294	1970	†
21. Intergovernmental charges	82.04.4291	1970	*
22. Sheltered workshops	82.04.385	1970	\$1,983
23. REET – No change beneficial owner	82.45.010(3)(o)	1970	*
24. Annexation sales	82.08.0278; 82.12.0274	1970	\$0
25. Christmas trees and cottonwoods	84.33.170	1971	\$660
26. Timber	84.33.040	1971	\$0
27. Litter tax; agricultural products	82.19.050(2)	1971	\$1,929
28. Forest land compensating tax exemptions	84.33.140(13)-(14)	1971	\$1,094
29. Nursery stock	84.40.220	1971	\$1,521
30. Home improvements	84.36.400	1972	\$1,938
31. Destroyed property	84.70.010	1974	\$481
32. Returnable containers	82.08.0282; 82.12.0276	1974	\$0
33. Certified aircraft repair firms	82.04.250(3)	2003	\$1,004
34. Energy efficient equipment	82.04.4493	2008	\$106
35. Gas pumps – power outages	82.04.4491	2008	\$125
36. Internet newspaper advertising	82.04.214; 82.04.280(1)(a)	2008	\$2,757‡
37. Anaerobic digesters	84.36.635; 82.29A.135	2008	\$0
38. Aluminum smelter digital goods	82.08.805; 82.12.805	2009	\$0

* Amount not reported separately from other tax preferences.

† Amount not released due to confidentiality of the two impacted taxpayers.

‡ Fiscal impact estimate not available when 2010 Tax Preference Review schedule was approved.

ACCOMMODATION SALES

See page A2-1 in Appendix 2 for the current statute, RCW 82.04.425.

Department of Revenue 2008 Tax Exemption Report (p.96):

Description: B&O tax does not apply to wholesale sales between businesses regularly selling the same type of property, provided the sale is at cost and the buyer has an existing order for the product from a customer. The exemption also applies if the sale occurs within 14 days as a reimbursement in-kind for a previous accommodation sale. Additionally, if a wholly-owned subsidiary sells goods to its parent company, and the parent sells the goods in a transaction that is exempt by reason of RCW 82.08.0262, and the parent pays B&O tax, then the sale by the subsidiary to the parent is exempt from B&O tax.

Purpose: To exempt wholesale sales made between businesses solely for the purpose of adjusting inventories in order to satisfy customer demand.

Category/Year Enacted: Tax base. 1955

Primary Beneficiaries: Firms that make accommodation sales to other firms and corporations with wholly-owned subsidiaries who both manufacture and sell transportation equipment.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 90	\$ 96	\$ 102	\$ 109
Local taxes- not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes, although it is unlikely that firms would make accommodation sales to other sellers if they were required to pay B&O tax on such sales.

DRIVER TRAINING VEHICLES

See page A2-1 in Appendix 2 for the current statute, RCW 82.12.0264.

Department of Revenue 2008 Tax Exemption Report (p.237):

Description: Use tax exemption is provided for public and private schools and donors for vehicles used in driver-training programs. The vehicles must contain dual controls and be used exclusively by public or private schools (not commercial driver-training programs).

Purpose: To reduce the cost of providing driver-education programs and encourage vehicle dealers to provide vehicles to public and private schools for this purpose.

Category/Year Enacted: Government. 1955

Primary Beneficiaries: Public and private schools with such programs.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 199	\$ 205	\$ 211	\$ 217
Local taxes	\$ 58	\$ 60	\$ 62	\$ 64

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

FUEL USED IN URBAN TRANSPORTATION

See pages A2-1 through A2-4 in Appendix 2 for the current statutes, RCW 82.36.275 and 82.38.080.

Department of Revenue 2008 Tax Exemption Report (p.279):

Description: Exemption from motor vehicle and special fuel taxes for fuel used in public transportation systems which operate within specified mileage of the city limits from which trips originate.

Purpose: To support public transportation systems.

Category/Year Enacted: Government. 1957

Primary Beneficiaries: Municipal transportation systems and their patrons.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 442	\$ 476	\$ 489	\$ 498
Local taxes- no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

SHIPS UNDER CONSTRUCTION

See page A2-4 in Appendix 2 for the current statute, RCW 84.36.079.

Department of Revenue 2008 Tax Exemption Report (p.40):

Description: Property tax exemption is provided for vessels of more than 1,000 ton burden which are under construction within the state. Included are the materials and parts held by the builder at the construction site for incorporation into such vessels. (Note: any construction of state ferry boats or Naval vessels would be covered under the public property exemption.)

Purpose: To improve the competitive position of shipyards in Washington.

Category/Year Enacted: Business incentive. 1959

Primary Beneficiaries: Owners of vessels under construction and the shipyards where the activity occurs.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None; no construction of private ships of this magnitude has taken place in recent years and none is anticipated in the near future.

GOODS IN TRANSIT

See pages A2-4 and A2-5 in Appendix 2 for the current statute, RCW 84.36.300.

Department of Revenue 2008 Tax Exemption Report (p.44):

Description: Goods, wares, merchandise and materials are exempt from property tax, if they are acquired by the taxpayer by any means other than by manufacture within Washington for the purpose of sale or shipment in substantially the same form they were acquired. Breaking of packages or of bulk shipments, packaging, repackaging, labeling or relabeling is not considered a change of form. Items exempted include aircraft parts, equipment, furnishings and accessories but not engines or major structural components that are manufactured outside of Washington.

Purpose: To encourage trade and promote manufacturing within the state.

Category/Year Enacted: Business incentive. 1961

Primary Beneficiaries: Wholesalers of goods passing through the state and manufacturers of aircraft.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Impact is included with the inventory exemption, RCW 84.36.477.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PURCHASES BY RESIDENTS OF ALASKA & HAWAII

See page A2-5 in Appendix 2 for the current statute, RCW 82.08.0269.

Department of Revenue 2008 Tax Exemption Report (p.221):

Description: Sales to residents of states, territories and possessions of the U.S. which are not contiguous to any other state are exempt from retail sales tax, if the seller delivers the property to an in-state receiving terminal of a carrier that transports the goods to an out-of-state location.

Purpose: To facilitate sales to residents of Alaska, Hawaii and U.S. possessions and territories and to encourage trade through Washington ports.

Category/Year Enacted: Individuals. 1961

Primary Beneficiaries: Firms that sell to residents of Alaska, Hawaii and U.S. territories.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal. Most sales to such residents would be exempt under other statutes relating to interstate commerce.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No, buyers could easily make alternative shipping arrangements.

EXPENDITURES FOR WATERSHED & FLOOD PROTECTION

See pages A2-5 and A2-6 in Appendix 2 for the current statutes, RCW 82.08.0271 and 82.12.930.

Department of Revenue 2008 Tax Exemption Report (p.230):

Description: State and local government entities are exempt from retail sales/use tax on tangible personal property consumed and labor and services rendered for watershed or flood protection projects. The exemption is limited to that portion of the selling price that is reimbursable by the federal government under the Watershed Protection and Flood Prevention Act.

Purpose: To support these programs.

Category/Year Enacted: Government. 1963

Primary Beneficiaries: State and local governments that construct projects under this act.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 17	\$ 17	\$ 17	\$ 17
Local taxes	\$ 5	\$ 5	\$ 5	\$ 5

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

AGRICULTURAL FAIRS

See page A2-6 in Appendix 2 for the current statute, RCW 82.04.335.

Department of Revenue 2008 Tax Exemption Report (p.88):

Description: Nonprofit organizations that conduct agricultural fairs are exempt from B&O tax. The exemption applies only during the time the fair is actually open to the public and does not include income from admissions to specific exhibits, entertainment or other business activities conducted with the fairgrounds by third party concessionaires.

Purpose: To support agricultural fairs.

Category/Year Enacted: Agriculture. 1965

Primary Beneficiaries: Currently, there are 69 county or community fairs or youth livestock shows.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 402	\$ 406	\$ 410	\$ 414
Local taxes- not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

SAND AND GRAVEL FOR LOCAL ROAD CONSTRUCTION

See page A2-6 in Appendix 2 for the current statute, RCW 82.04.415.

Department of Revenue 2008 Tax Exemption Report (p.75):

Description: The cost of labor and services performed in the mining, sorting, crushing, etc. of sand or gravel taken from a pit owned by or leased to a city or county is exempt from B&O tax. The sand or gravel must be either placed on a street of the city or county or sold at cost to another city or county for use on public roads.

Purpose: To reduce the costs to local governments of building and maintaining streets and roads.

Category/Year Enacted: Government. 1965.

Primary Beneficiaries: Cities and counties and the contractors who perform road work for them.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 153	\$ 157	\$ 166	\$ 176
Local taxes- not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Unlikely.

WATER COOPERATIVES

See page A2-6 in Appendix 2 for the current statute, RCW 84.36.250.

Department of Revenue 2008 Tax Exemption Report (p.24):

Description: Real and personal property of nonprofit cooperatives or corporations which is used exclusively to distribute water to shareholders or members is exempt from property tax.

Purpose: To provide the same treatment for private, nonprofit water distributors and public water districts.

Category/Year Enacted: Nonprofit - other. 1965

Primary Beneficiaries: Approximately 243 nonprofit water corporations or cooperatives, comprising 527 parcels, and their shareholders and members.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 133	\$ 139	\$ 144	\$ 146
Local levies	\$ 529	\$ 564	\$ 592	\$ 609

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

SEMEN FOR ARTIFICIAL INSEMINATION

See page A2-7 in Appendix 2 for the current statutes, RCW 82.08.0272 and 82.12.0267.

Department of Revenue 2008 Tax Exemption Report (p.195):

Description: Semen used for artificial insemination of livestock is exempt from retail sales/use tax.

Purpose: To support the agricultural industry. An argument could also be made that such products constitute a component part of other products being produced for sale and thus are sales for resale.

Category/Year Enacted: Agriculture. 1965

Primary Beneficiaries: Ranchers who purchase semen for artificial insemination of livestock.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 353	\$ 353	\$ 353	\$ 353
Local taxes	\$ 82	\$ 82	\$ 82	\$ 82

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

FORM LUMBER

See page A2-7 in Appendix 2 for the current statutes, RCW 82.08.0274 and 82.12.0268.

Department of Revenue 2008 Tax Exemption Report (p.205):

Description: Form lumber that is used in construction to mold concrete is exempt from retail sales/use tax. The lumber must be used in a single project and be incorporated into the same project. The exemption applies only to projects done by contractors for other persons. Therefore, lumber used by spec builders is not exempt under this provision.

Purpose: To exempt the contractor's intervening use as a consumer of form lumber.

Category/Year Enacted: Other business. 1965

Primary Beneficiaries: Contractors and subcontractors who use lumber as forms for concrete.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal. It is believed that form lumber is rarely incorporated into the same structure, and therefore there is little or no impact for this exemption.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

POLLUTION CONTROL FACILITIES

See pages A2-7 and A2-8 in Appendix 2 for the current statutes, RCW 82.04.427 and 82.34.060(2).

Department of Revenue 2008 Tax Exemption Report (p.142):

Description: A credit is allowed against B&O tax for up to 50 percent of the cost of required pollution control facilities. Up to 2 percent of the total credit may be taken each year.

Purpose: To encourage pollution control and to compensate Washington firms for the costs they incur to meet upgraded pollution standards.

Category/Year Enacted: Other business. 1967; new applications not allowed after 1981.

Primary Beneficiaries: Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries. A total of 151 firms applied for the B&O, public utility or use tax credits. Eighteen firms have a remaining balance of credits to be taken in the future totaling \$15 million at the end of FY 2007.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 591	\$ 473	\$ 378	\$ 303
Local taxes- not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No; credits currently being taken were authorized under prior law.

PROCESSORS OF DRY PEAS

See pages A2-8 through A2-13 in Appendix 2 for the current statute, RCW 82.04.260(2).

Department of Revenue 2008 Tax Exemption Report (p.133):

Description: A preferential B&O tax rate of 0.138 percent is provided for processors of dried peas. This rate was reduced from the general manufacturing rate in 1967 to 0.275 percent in 1967 and again in 1998 to 0.138 percent as part of a B&O tax rate consolidation for tax simplification purposes.

Purpose: To provide tax relief to firms with typically low profit margins that are not able to pass the total cost of a gross receipts tax on to final consumers because of a highly competitive market structure.

Category/Year Enacted: Agriculture. 1967 and 1998

Primary Beneficiaries: Approximately four firms.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 29	\$ 30	\$ 31	\$ 32
Local taxes- not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

SALES OF FUEL TO FOREIGN GOVERNMENTS

See page A2-14 in Appendix 2 for the current statute, RCW 82.36.245.

Department of Revenue 2008 Tax Exemption Report (p.278):

Description: Exemption from motor vehicle fuel tax is allowed for qualified foreign diplomatic and consular missions and their qualified personnel. To qualify, the foreign country must allow similar fuel tax exemptions to employees of the U.S. government. The U.S. State Department determines which foreign consulates are eligible for the exemption.

Purpose: To recognize the rights of these individuals under treaties made by the U.S. government and to reciprocate for similar privileges granted to American embassy personnel abroad.

Category/Year Enacted: Government. 1967; amended in 1989 to allow outright exemption instead of a refund of fuel tax paid.

Primary Beneficiaries: Employees of foreign governments.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 4	\$ 4	\$ 4	\$ 4
Local taxes- no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Unlikely.

CREDIT FOR POLLUTION CONTROL FACILITIES

See pages A2-14 and A2-15 in Appendix 2 for the current statutes, RCW 82.16.045 and 82.34.060(2).

Department of Revenue 2008 Tax Exemption Report (p.156):

Description: A credit against public utility tax is allowed for up to 50 percent of the installation cost of required pollution control facilities. Two percent of the allowable credit may be taken each year.

Purpose: To encourage pollution control and to compensate existing companies for the costs of meeting upgraded pollution standards.

Category/Year Enacted: Other business. 1967; new applications not allowable after 1981.

Primary Beneficiaries: Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries. A total of 151 firms have applied for the B&O, public utility or use tax credits. Eighteen firms have a remaining credit balance totaling \$15 million at the end of FY 2007.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 586	\$ 469	\$ 375	\$ 300
Local taxes- not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No.

TRANSIT DEDUCTION FOR METRO

See page A2-15 in Appendix 2 for the current statute, RCW 35.58.560.

Department of Revenue 2008 Tax Exemption Report (p.154):

Description: Metropolitan municipal corporations (METRO) can credit or offset expenditures made for planning or performing the functions of public transportation against any state tax imposed on gross revenues derived from any authorized function.

Purpose: To support public transportation in King County.

Category/Year Enacted: Government. 1967

Primary Beneficiaries: King County, which assumed the functions of the previous METRO jurisdiction in 1994.

Possible Program Inconsistency: Other municipalities pay public utility tax on income associated with operating transportation systems – except for the deduction for income devoted to service improvements for low-income and elderly customers (RCW 82.16.050(14)).

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 544	\$ 566	\$ 588	\$ 612
Local taxes- not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

CREDIT FOR TAX PAID ON POLLUTION CONTROL FACILITIES

See page A2-16 in Appendix 2 for the current statute, RCW 82.34.050(2).

Department of Revenue 2008 Tax Exemption Report (p.269):

Description: Construction of required pollution control facilities associated with approved applications received between July 30, 1967, and November 30, 1981, were exempt from state retail sales/use tax. If the tax was previously paid, it may be taken as a credit against state B&O, public utility or use taxes.

Purpose: To encourage abatement of pollution and to compensate Washington firms for the costs of upgrading pollution control facilities.

Category/Year Enacted: Other business. 1967; program terminated in 1981, but remaining credits still allowed.

Primary Beneficiaries: Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 56	\$ 45	\$ 36	\$ 29
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Unlikely.

POLLEN

See page A2-16 in Appendix 2 for the current statutes, RCW 82.08.0277 and 82.12.0273.

Department of Revenue 2008 Tax Exemption Report (p.196):

Description: Sales of pollen are exempt from retail sales/use tax.

Purpose: To support the agricultural and horticultural industry.

Category/Year Enacted: Agriculture. 1967.

Primary Beneficiaries: Buyers and sellers of pollen.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 23	\$ 23	\$ 23	\$ 23
Local taxes	\$ 6	\$ 6	\$ 6	\$ 6

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

INTEREST ON AGRICULTURAL LOANS

See page A2-16 in Appendix 2 for the current statute, RCW 82.04.4294.

Department of Revenue 2008 Tax Exemption Report (p.121):

Description: Financial businesses may deduct income derived as interest on certain agricultural and aquatic loans. To qualify, the lending institution must be owned exclusively by its borrowers or members and be solely engaged in making loans and providing financial services to farmers, ranchers, producers of aquatic products, their cooperatives, rural residents for housing, or persons engaged in furnishing farm-related or aquatic-related services to these individuals or entities.

Purpose: To support the agricultural industry by reducing the cost of loans issued by cooperatives.

Category/Year Enacted: Agriculture. 1970

Primary Beneficiaries: Two entities involved in making agricultural loans to farmers or cooperatives.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this deduction cannot be publicly stated because it is believed to affect fewer than three taxpayers.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

INTERGOVERNMENTAL CHARGES

See page A2-17 in Appendix 2 for the current statute, RCW 82.04.4291.

Department of Revenue 2008 Tax Exemption Report (p.119):

Description: A local government jurisdiction may deduct from its gross income that is subject to B&O tax any income received from other political subdivisions that would otherwise be taxable under the service classification.

Purpose: This deduction allows local governments to perform services for other jurisdictions (computer operations, accounting, etc.) without incurring B&O tax liability.

Category/Year Enacted: Government. 1970

Primary Beneficiaries: Cities and counties.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The impact of this deduction is included under the exemption for local government business income, RCW 82.04.419.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Unlikely.

SHELTERED WORKSHOPS

See page A2-17 in Appendix 2 for the current statute, RCW 82.04.385.

Department of Revenue 2008 Tax Exemption Report (p.108):

Description: B&O tax exemption is provided for nonprofit organizations that operate sheltered workshops and group training homes for the developmentally disabled on income received from the state.

Purpose: To reduce the cost of providing these services.

Category/Year Enacted: Nonprofit - health or social welfare. 1970

Primary Beneficiaries: Approximately 100 workshops/training homes throughout the state.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 930	\$ 954	\$ 979	\$ 1,004
Local taxes- not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

REET – NO CHANGE BENEFICIAL OWNER

See pages A2-17 through A2-20 in Appendix 2 for the current statute, RCW 82.45.010(3)(o).

Department of Revenue 2008 Tax Exemption Report (p.285):

Description: This statute lists a variety of types of transfers of real property which are excluded from state and local real estate excise tax. These include transfers by gift or inheritance, transfers with respect to divorce, transfers by governmental entities, condemnations, cemetery lots, etc.

Purpose: To assure that the tax applies only to arm's-length purchases of real estate in situations where the purchase price is reflective of the market price.

Category/Year Enacted: Tax base. Generally in 1951.

Primary Beneficiaries: Persons who acquire real property in the specified situations.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$184,884	\$197,119	\$210,164	\$224,073
Local taxes	\$ 66,442	\$ 70,839	\$ 75,527	\$ 80,525

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Possibly, but in some of these situations a price equivalent to market value might have to be established.

ANNEXATION SALES

See page A2-20 in Appendix 2 for the current statutes, RCW 82.08.0278 and 81.12.0274.

Department of Revenue 2008 Tax Exemption Report (p.231):

Description: Personal property that is sold by one governmental entity to another as a result of an annexation or incorporation is exempt from retail sales/use tax.

Purpose: To avoid taxing the non-enterprise activities of local governments.

Category/Year Enacted: Government. 1970

Primary Beneficiaries: Cities and counties.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal; although there have been many annexations and incorporations in recent years, transfers of personal property among jurisdictions are believed to be infrequent.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes, but the amounts would be minimal.

CHRISTMAS TREES AND COTTONWOODS

See page A2-20 in Appendix 2 for the current statute, RCW 84.33.170.

Department of Revenue 2008 Tax Exemption Report (p.72):

Description: Christmas trees and short-rotation hardwoods, such as cottonwoods, that are grown by agricultural methods are not subject to timber excise tax. However, when such trees are cultivated on land classified under Chapter 84.34 RCW as timber land, they are subject to timber excise tax.

Purpose: To recognize that these products are considered as being similar to agricultural products which are not subject to a tax on their harvest value.

Category/Year Enacted: Agriculture. 1971 (Christmas trees) and 1995 (short-rotation hardwoods)

Primary Beneficiaries: Approximately 420 growers of Christmas trees and 10 producers of hardwoods.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 66	\$ 66	\$ 66	\$ 66
Local taxes	\$ 264	\$ 264	\$ 264	\$ 264

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

TIMBER

See page A2-20 in Appendix 2 for the current statute, RCW 84.33.040.

Department of Revenue 2008 Tax Exemption Report (p.30):

Description: Timber is exempt from ad valorem taxation. Prior to the 2004 statutory amendments only timber on federal and private lands was exempt from property tax. Timber growing on state lands which was covered by a harvest contract signed prior to December 31 was subject to property taxes until it was harvested. However, the harvester of such timber was allowed a credit against the timber excise tax for the amount of property tax due.

Purpose: To simplify the taxation of timber.

Category/Year Enacted: Tax base. 1971 (federal and private lands only); amended in 2004 to add stateowned forest lands.

Primary Beneficiaries: None; this merely clarifies the application of taxes on timber.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No.

LITTER TAX; AGRICULTURAL PRODUCTS

See page A2-21 in Appendix 2 for the current statute, RCW 82.19.050(2).

Department of Revenue 2008 Tax Exemption Report (p.176):

Description: Exemption from litter tax is provided for agricultural crops and animals that are produced by farmers for sale at wholesale.

Purpose: To recognize that food products sold at wholesale are not generally associated with significant amounts of litter.

Category/Year Enacted: Agriculture. 1971

Primary Beneficiaries: Farmers.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 918	\$ 936	\$ 955	\$ 974
Local taxes- none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Unlikely; it's not clear who would otherwise be paying the litter tax on agricultural products. The producers of agricultural products are generally not subject to B&O tax and therefore are not registered or filing state excise tax returns upon which the litter tax is reported.

FOREST LAND COMPENSATING TAX EXEMPTIONS

See pages A2-21 through A2-27 in Appendix 2 for the current statute, RCW 84.33.140(13)-(14).

Department of Revenue 2008 Tax Exemption Report (p.50):

Description: When forest land is removed from the designated forest land program, a compensating tax is paid by the landowner to reimburse the counties for past tax losses due to the lower land valuations associated with this program. This statute waives the compensating tax when forest land is removed in a variety of situations, e.g., governmental land exchanges, transfer to a governmental or non-profit entity for conservation purposes, or a transfer or sale within two years of the death of the landowner, etc.

Purpose: To encourage land transfers for conservation purposes and to avoid penalizing family members who sell designated forest land after the landowner has died.

Category/Year Enacted: Other. 1971; expanded numerous times subsequently.

Primary Beneficiaries: Owners of some 6.4 million acres of designated forest land statewide.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 0	\$ 0	\$ 0	\$ 0
Local levies	\$ 547	\$ 547	\$ 547	\$ 547

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

NURSERY STOCK

See page A2-27 in Appendix 2 for the current statute, RCW 84.40.220.

Department of Revenue 2008 Tax Exemption Report (p.49):

Description: Nursery stock grown in pots or bags is exempt from property tax. This exemption was enacted when the industry changed its method of growing such products by switching to pots and bags, rather than in the ground. Because this stock is not grown in the ground, it is not included in the growing crops exemption under RCW 84.40.030(3).

Purpose: To provide tax treatment for nursery stock that is equivalent to growing crops.

Category/Year Enacted: Agriculture. 1971

Primary Beneficiaries: About 200-300 producers of nursery stock.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 129	\$ 138	\$ 145	\$ 150
Local levies	\$ 513	\$ 558	\$ 598	\$ 628

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

HOME IMPROVEMENTS

See page A2-27 in Appendix 2 for the current statute, RCW 84.36.400.

Department of Revenue 2008 Tax Exemption Report (p.35):

Description: Improvements to existing single family residential structures are eligible for a three year exemption from property tax following completion of the remodeling. The exemption is limited to no more than 30 percent of the structure's assessed value at the time the work commenced.

Purpose: To encourage homeowners to upgrade their residences, while avoiding the sudden and potentially large increases in assessed value and property tax which can otherwise occur.

Category/Year Enacted: Individuals. 1972

Primary Beneficiaries: Approximately 2,790 homeowners are presently exempt under this program.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 90	\$ 180	\$ 190	\$ 198
Local levies	\$ 349	\$ 703	\$ 752	\$ 798

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

DESTROYED PROPERTY

See page A2-28 in Appendix 2 for the current statute, RCW 84.70.010.

Department of Revenue 2008 Tax Exemption Report (p.53):

Description: Reduction in the assessed value of real or personal property is allowed for damage resulting from a disaster which is declared by the Governor or the county legislative authority, if the property's value has been reduced by more than 20 percent. The amount of reduction is equal to the difference in the fair market value before and after the destruction.

Purpose: To provide relief for taxpayers when natural disasters destroy property.

Category/Year Enacted: Other. 1974

Primary Beneficiaries: Owner of property impacted by a natural disaster.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 52	\$ 52	\$ 52	\$ 51
Local levies	\$ 183	\$ 188	\$ 190	\$ 188

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No; other taxpayers would experience reduced taxes for the state levy and most local levies.

RETURNABLE CONTAINERS

See pages A2-28 and A2-29 in Appendix 2 for the current statutes, RCW 82.08.0282 and 82.12.0276.

Department of Revenue 2008 Tax Exemption Report (p.253):

Description: Returnable food or beverage containers are exempt from retail sales/use tax.

Purpose: A retailer's purchase of nonreturnable food and beverage containers is normally exempt from sales/use tax because the containers are later sold to consumers. This exemption provides comparable treatment for returnable containers that would not otherwise qualify for the resale exemption, since the containers are not technically "sold" to the food or beverage purchaser.

Category/Year Enacted: Other business. 1974

Primary Beneficiaries: Firms that purchase containers for supplying food and beverages to consumers which could be returned by the consumer to the vendor.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal; many beverage containers are now plastic and nonreturnable; cans and bottles are more often recycled than returned to the vendor in this state.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

CERTIFIED AIRCRAFT REPAIR FIRMS

See page A2-29 in Appendix 2 for the current statute, RCW 82.04.250(3).

Department of Revenue 2008 Tax Exemption Report (p.131):

Description: Repair of interstate transportation equipment is normally subject to the B&O tax rate of 0.484 percent. In 2003, a reduced tax rate of 0.275 percent was provided for qualified aircraft repair facilities certified by the Federal Aviation Administration as a "FAR part 145" repair facility. In 2006 the tax rate was changed to 0.2904 percent for this rate classification. The statute is scheduled to expire on July 1, 2024.

Purpose: To encourage the repair of aircraft in this state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: It is believed that four firms qualify for this tax rate.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 424	\$ 454	\$ 485	\$ 519
Local taxes- not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

ENERGY EFFICIENT EQUIPMENT

See pages A2-29 through A2-31 in Appendix 2 for the current statute, RCW 82.04.4493.

This exemption is not included in the Department of Revenue's 2008 Tax Exemption Report. The Department provided the following summary:

This statute provides a B&O tax credit for eligible businesses in an amount equal to 8.8 percent multiplied by the purchase price paid on certain types of energy-efficient commercial appliances. The credit is available for purchases made on or after July 1, 2008, and before July 1, 2010. To qualify for the credit, the firm's gross income for the prior calendar year must not exceed \$750,000. The statewide yearly cap on the amount of credits granted to all taxpayers is limited to \$750,000.

The estimated reduction in state B&O tax collections for this credit is \$106,000 for the remainder of the 2009-2011 Biennium. The credit was effective July 1, 2008, and expires July 1, 2010.

GAS PUMPS – POWER OUTAGES

See page A2-32 in Appendix 2 for the current statute, RCW 82.04.4491.

This exemption is not included in the Department of Revenue's 2008 Tax Exemption Report. The Department provided the following summary:

This statute provides a B&O tax credit to an eligible person for the purchase of an alternative power generation device and labor and services for the installation of the device. The credit is equal to the lesser of 50 percent of the cost of the device or \$25,000. The amount of the credit provided may not exceed the B&O tax otherwise due for the tax reporting period.

"Alternative power generation device" means a device capable of providing electrical power for gas service station pumps during periods when regular electrical power is lost including, but not limited to, portable generators, standby generators, emergency generators, or other power generation devices. "Alternative power generation device" also includes wiring necessary to make the device capable of providing electrical power to the gasoline service station pumps. "Eligible person" means a person selling motor vehicle or special fuel from a gas service station, or other facility, with at least four fuel pumps.

The total amount of credits taken in any biennium may not exceed \$750,000. This credit was effective July 1, 2008, and expires June 30, 2011. The estimated reduction in state revenue is \$125,000 per fiscal year.

INTERNET NEWSPAPER ADVERTISING

See pages A2-32 through A2-34 in Appendix 2 for the current statutes, RCW 82.04.214 and 82.04.280(1)(a).

This exemption is not included in the Department of Revenue's 2008 Tax Exemption Report. The Department provided the following summary:

This statute was amended in 2008 to expand the definition of "newspaper" for excise tax purposes to include: (1) an electronic version of a printed newspaper; and (2) printed supplements to printed newspapers. The addition of printed supplements in the definition of newspaper codified the Department of Revenue's tax treatment of printed newspaper supplements. The effect of including electronic versions of printed newspapers in the definition of newspaper is to reduce the B&O tax on advertising income from electronic versions of printed newspapers from 1.5 percent to 0.484 percent. This lower rate applies for only three years because the definition of newspaper is again changed to delete the reference to electronic versions of printed newspapers, effective July 1, 2011.

The estimated revenue reduction from this definitional change was \$867,000 in the 2006-2008 Biennium and \$2,757,000 in the 2009-2011 Biennium. The change was effective July 1, 2008.

ANAEROBIC DIGESTERS

See pages A2-34 through A2-36 in Appendix 2 for the current statutes, RCW 84.36.635 and 82.29A.135.

This exemption is not included in the Department of Revenue's 2008 Tax Exemption Report. The Department provided the following summary:

Anaerobic digesters are devices that process manure into methane gas and dried solids. Sales of anaerobic digesters to be used on dairy farms were exempted from sales and use taxes in 2001. In 2006, the exemption was extended to anaerobic digesters used in livestock feeding operations.

These statutes exempt anaerobic digesters from leasehold excise tax and property tax for a six-year period. The deadline to file claims for the tax exemptions is December 31, 2012.

There is no state revenue loss resulting from these exemptions. An estimated \$3,000 in state property taxes was shifted to other taxpayers in calendar year 2009, increasing to \$5,000 in calendar years 2010-2013. The loss in property tax revenues for local taxing districts is estimated to be \$1,000 in calendar year 2009, increasing to \$2,000 in calendar years 2010-2013. An estimated \$12,000 in local property taxes was shifted to other taxpayers in calendar year 2009, increasing to \$20,000 by calendar year 2013. These exemptions took effect July 1, 2008.

ALUMINUM SMELTER DIGITAL GOODS

See page A2-36 in Appendix 2 for the current statutes, RCW 82.08.805 and 82.12.805.

This exemption is not included in the Department of Revenue's 2008 Tax Exemption Report. The Department of Revenue did not provide a summary of this preference, as they determined the preferences had no impact.

APPENDIX 1 – SCOPE AND OBJECTIVES

2010 EXPEDITED LIGHT TAX PREFERENCE PERFORMANCE REVIEWS

SCOPE AND OBJECTIVES

OCTOBER 2009



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Why a JLARC Study of Tax Preferences?

Engrossed House Bill 1069 (2006) established the Citizen Commission for Performance Measurement of Tax Preferences and directed it to develop a schedule for periodic review of the state's tax preferences. The bill also directed the Joint Legislative Audit and Review Committee (JLARC) to conduct the periodic reviews.

Background

Tax preferences are exemptions, exclusions, or deductions from the base of a state tax; a credit against a state tax; a deferral of a state tax; or a preferential state tax rate. The state has more than 580 tax preferences.

Recognizing the need to assess the effectiveness of these tax preferences in meeting their intended objectives, and an orderly process to do so, the Legislature established the Citizen Commission for Performance Measurement of Tax Preferences. The role of the Commission is to develop a schedule for the performance review of all tax preferences at least once every ten years. The ten-year schedule is to be revised annually.

Omitted from review are several categories of tax preferences identified by statute (e.g., tax preferences required by constitutional law). Any tax preference that the Commission determines is a critical part of the structure of the tax system may also be omitted.

The Commission has identified three categories of review, based on each tax preference's estimated biennial fiscal impact:

1. Full reviews (over \$10 million)
2. Expedited reviews (between \$2 million and \$10 million)
3. Expedited light reviews (less than \$2 million)

This document identifies the scope and objectives for the third category: expedited light tax preference reviews. JLARC is to review tax preferences according to the schedule developed by the Commission, and consistent with guidelines set forth in statute.

Expedited Light Study Scope

This review will summarize information provided in the Department of Revenue's "Tax Exemptions 2008" report. Given the information in this study, the JLARC review will summarize each tax preference's purpose, primary beneficiaries, and taxpayer savings. No JLARC staff recommendations will be made for these tax preferences.

For 2010, the following tax preferences are subject to the expedited light process:

Brief Description	RCW Citation	Year Enacted
1. Accommodation sales	82.04.425	1955
2. Driver training vehicles	82.12.0264	1955
3. Fuel used in urban transportation	82.36.275; 82.38.080	1957
4. Ship under construction	84.36.079	1959
5. Goods in transit	84.36.300	1961

Expedited Light Study Scope (cont'd.)

Brief Description	RCW Citation	Year Enacted
6. Purchases by residents of Alaska & Hawaii	82.08.0269	1961
7. Expenditures for watershed & flood protection	82.08.0271; 82.12.930	1963
8. Agricultural fairs	82.04.335	1965
9. Sand and gravel for local road construction	82.04.415	1965
10. Water cooperatives	84.36.250	1965
11. Semen for artificial insemination	82.08.0272; 82.12.0267	1965
12. Form lumber	82.08.0274; 82.12.0268	1965
13. Pollution control facilities	82.04.427; 82.34.060(2)	1967
14. Processors of dry peas	82.04.260(2)	1967
15. Sales of fuel to foreign governments	82.36.245	1967
16. Credit for pollution control facilities	82.16.045	1967
17. Transit deduction for Metro	35.58.560	1967
18. Credit for tax paid on pollution control facilities	82.34.050(2)	1967
19. Pollen	82.08.0277; 82.12.0273	1967
20. Interest on agricultural loans	82.04.4294	1970
21. Intergovernmental charges	82.04.4291	1970
22. Sheltered workshops	82.04.385	1970
23. REET – No change beneficial owner	82.45.010(3)(o)	1970
24. Annexation sales	82.08.0278; 82.12.0274	1970
25. Christmas trees and cottonwoods	84.33.170	1971
26. Timber	84.33.040	1971
27. Litter tax; agricultural products	82.19.050(2)	1971
28. Forest land compensating tax exemptions	84.33.140(13,14)	1971
29. Nursery stock	84.40.220	1971
30. Home improvements	84.36.400	1972
31. Destroyed property	84.70.010	1974
32. Returnable containers	82.08.0282; 82.12.0276	1974
33. Certified aircraft repair firms	82.04.250(3)	2003
34. Energy efficient equipment	82.04.4493	2008
35. Gas pumps – power outages	82.04.4491	2008
36. Internet newspaper advertising	82.04.214; 82.04.280(1)	2008
37. Anaerobic digesters	84.36.635; 82.29A.135	2008
38. Aluminum smelter digital goods	82.08.805; 82.12.805	2009

Timeframe for the Study

A preliminary audit report will be presented at the July 2010 JLARC meeting and at the August 2010 meeting of the Commission. A final report will be presented to JLARC in November 2010.

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Tax Preference Review Process

Commission develops and delivers to JLARC schedule of tax preferences for review

JLARC staff conducts reviews of tax preferences

Staff presents preliminary report to JLARC

Staff requests comments from OFM and DOR

JLARC presents preliminary report to Commission

Commission conducts public comment session and may provide comments

Proposed Final Report (with OFM, DOR, and Commission comments) to JLARC for approval to distribute

Final Report transmitted to Legislative Fiscal Committees

Legislative Fiscal Committees hold joint hearing on Final Report

APPENDIX 2 – CURRENT LAW

Accommodation Sales

RCW 82.04.425

This chapter shall not apply to sales for resale by persons regularly engaged in the business of making sales of the type of property so sold to other persons similarly engaged in the business of selling such property where (1) the amount paid by the buyer does not exceed the amount paid by the seller to his vendor in the acquisition of the article and (2) the sale is made as an accommodation to the buyer to enable him to fill a bona fide existing order of a customer or is made within fourteen days to reimburse in kind a previous accommodation sale by the buyer to the seller; nor to sales by a wholly owned subsidiary of a person making sales at retail which are exempt under RCW 82.08.0262 when the parent corporation shall have paid the tax imposed under this chapter.

[1980 c 37 § 78; 1965 ex.s. c 173 § 9; 1961 c 15 § 82.04.425. Prior: 1955 c 95 § 1.]

Driver Training Vehicles

RCW 82.12.0264

The provisions of this chapter shall not apply in respect to the use of motor vehicles, equipped with dual controls, which are loaned to and used exclusively by a school in connection with its driver training program: PROVIDED, That this exemption and the term "school" shall apply only to (1) the University of Washington, Washington State University, the regional universities, The Evergreen State College and the state community colleges or (2) any public, private or parochial school accredited by either the state board of education or by the University of Washington (the state accrediting station) or (3) any public vocational school meeting the standards, courses and requirements established and prescribed or approved in accordance with the Community College Act of 1967 (chapter 8, Laws of 1967 first extraordinary session).

[1980 c 37 § 63. Formerly RCW 82.12.030(13).]

Fuel Used in Urban Transportation

RCW 82.36.275

Notwithstanding RCW 82.36.240, every urban passenger transportation system shall receive a refund of the amount of the motor vehicle fuel tax paid on each gallon of motor vehicle fuel used, whether such vehicle fuel tax has been paid either directly to the vendor from whom the motor vehicle fuel was purchased or indirectly by adding the amount of such tax to the price of such fuel.

For the purposes of this section "urban passenger transportation system" means every transportation system, publicly or privately owned, having as its principal source of revenue the income from transporting persons for compensation by means of motor vehicles and/or trackless trolleys, each having a seating capacity for over fifteen persons, over prescribed routes in such a manner that the routes of such motor vehicles and/or trackless trolleys (either alone or in conjunction with routes of other such motor vehicles and/or trackless trolleys subject to routing by

the same transportation system) do not extend for a distance exceeding fifteen road miles beyond the corporate limits of the city in which the original starting points of such motor vehicles are located: PROVIDED, That no refunds authorized by this section shall be granted on fuel used by any urban transportation vehicle on any trip where any portion of said trip is more than fifteen road miles beyond the corporate limits of the city in which said trip originated.

[1969 ex.s. c 281 § 27; 1967 c 86 § 1; 1965 c 135 § 1; 1963 c 187 § 1; 1961 c 117 § 1; 1961 c 15 § 82.36.275. Prior: 1959 c 298 § 1; 1957 c 292 § 1.]

RCW 82.38.080

(1) There is exempted from the tax imposed by this chapter, the use of fuel for:

(a) Street and highway construction and maintenance purposes in motor vehicles owned and operated by the state of Washington, or any county or municipality;

(b) Publicly owned firefighting equipment;

(c) Special mobile equipment as defined in RCW 46.04.552;

(d) Power pumping units or other power take-off equipment of any motor vehicle which is accurately measured by metering devices that have been specifically approved by the department or which is established by any of the following formulae:

(i) Pumping propane, or fuel or heating oils or milk picked up from a farm or dairy farm storage tank by a power take-off unit on a delivery truck, at a rate determined by the department: PROVIDED, That claimant when presenting his or her claim to the department in accordance with this chapter, shall provide to the claim, invoices of propane, or fuel or heating oil delivered, or such other appropriate information as may be required by the department to substantiate his or her claim;

(ii) Operating a power take-off unit on a cement mixer truck or a load compactor on a garbage truck at the rate of twenty-five percent of the total gallons of fuel used in such a truck; or

(iii) The department is authorized to establish by rule additional formulae for determining fuel usage when operating other types of equipment by means of power take-off units when direct measurement of the fuel used is not feasible. The department is also authorized to adopt rules regarding the usage of on board computers for the production of records required by this chapter;

(e) Motor vehicles owned and operated by the United States government;

(f) Heating purposes;

(g) Moving a motor vehicle on a public highway between two pieces of private property when said moving is incidental to the primary use of the motor vehicle;

(h) Transportation services for persons with special transportation needs by a private, nonprofit transportation provider regulated under chapter 81.66 RCW;

(i) Vehicle refrigeration units, mixing units, or other equipment powered by separate motors from separate fuel tanks;

(j) The operation of a motor vehicle as a part of or incidental to logging operations upon a highway under federal jurisdiction within the boundaries of a federal area if the federal government requires a fee for the privilege of operating the motor vehicle upon the highway, the proceeds of which are reserved for constructing or maintaining roads in the federal area, or requires maintenance or construction work to be performed on the highway for the privilege of operating the motor vehicle on the highway; and

(k) Waste vegetable oil as defined under RCW 82.08.0205 if the oil is used to manufacture biodiesel.

(2) There is exempted from the tax imposed by this chapter the removal or entry of special fuel under the following circumstances and conditions:

(a) If it is the removal from a terminal or refinery of, or the entry or sale of, a special fuel if all of the following apply:

(i) The person otherwise liable for the tax is a licensee other than a dyed special fuel user or international fuel tax agreement licensee;

(ii) For a removal from a terminal, the terminal is a licensed terminal; and

(iii) The special fuel satisfies the dyeing and marking requirements of this chapter;

(b) If it is an entry or removal from a terminal or refinery of taxable special fuel transferred to a refinery or terminal and the persons involved, including the terminal operator, are licensed; and

(c)(i) If it is a special fuel that, under contract of sale, is shipped to a point outside this state by a supplier by means of any of the following:

(A) Facilities operated by the supplier;

(B) Delivery by the supplier to a carrier, customs broker, or forwarding agent, whether hired by the purchaser or not, for shipment to the out-of-state point;

(C) Delivery by the supplier to a vessel clearing from port of this state for a port outside this state and actually exported from this state in the vessel.

(ii) For purposes of this subsection (2)(c):

(A) "Carrier" means a person or firm engaged in the business of transporting for compensation property owned by other persons, and includes both common and contract carriers; and

(B) "Forwarding agent" means a person or firm engaged in the business of preparing property for shipment or arranging for its shipment.

(3)(a) Notwithstanding any provision of law to the contrary, every privately owned urban passenger transportation system and carriers as defined by chapters 81.68 and 81.70 RCW shall be exempt from the provisions of this chapter requiring the payment of special fuel taxes. For the purposes of this section "privately owned urban passenger transportation system" means every privately owned transportation system having as its principal source of revenue the income from transporting persons for compensation by means of motor vehicles or trackless trolleys, each having a seating capacity for over fifteen persons over prescribed routes in such a manner that the routes of such motor vehicles or trackless trolleys, either alone or in conjunction with routes of other such

motor vehicles or trackless trolleys subject to routing by the same transportation system, shall not extend for a distance exceeding twenty-five road miles beyond the corporate limits of the county in which the original starting points of such motor vehicles are located: PROVIDED, That no refunds or credits shall be granted on special fuel used by any privately owned urban transportation vehicle, or vehicle operated pursuant to chapters 81.68 and 81.70 RCW, on any trip where any portion of the trip is more than twenty-five road miles beyond the corporate limits of the county in which the trip originated.

(b) Every publicly owned and operated urban passenger transportation system is exempt from the provisions of this chapter that require the payment of special fuel taxes. For the purposes of this subsection, "publicly owned and operated urban passenger transportation systems" include public transportation benefit areas under chapter 36.57A RCW, metropolitan municipal corporations under chapter 36.56 RCW, city-owned transit systems under chapter 35.58 RCW, county public transportation authorities under chapter 36.57 RCW, unincorporated transportation benefit areas under chapter 36.57 RCW, and regional transit authorities under chapter 81.112 RCW.

[2009 c 352 § 1; 2008 c 237 § 1; 1998 c 176 § 60; 1996 c 244 § 6; 1993 c 141 § 2; 1990 c 185 § 1; 1983 c 108 § 4; 1979 c 40 § 4; 1973 c 42 § 1. Prior: 1972 ex.s. c 138 § 2; 1972 ex.s. c 49 § 1; 1971 ex.s. c 175 § 9.]

Ships Under Construction

RCW 84.36.079

All rights, title or interest in or to any vessel of more than one thousand ton burden, and the materials and parts held by the builder of the vessel at the site of construction for the specific purpose of incorporation therein, shall be exempt from taxation while the vessel is under construction within this state.

[1961 c 15 § 84.36.079. Prior: 1959 c 295 § 1.]

Goods In Transit

RCW 84.36.300

There shall be exempt from taxation a portion of each separately assessed stock of merchandise, as that word is defined in this section, owned or held by any taxpayer on the first day of January of any year computed by first multiplying the total amount of that stock of such merchandise, as determined in accordance with RCW 84.40.020, by a percentage determined by dividing the amount of such merchandise brought into this state by the taxpayer during the preceding year for that stock by the total additions to that stock by the taxpayer during that year, and then multiplying the result of the latter computation by a percentage determined by dividing the total out-of-state shipments of such merchandise by the taxpayer during the preceding year from that stock (and regardless of whether or not any such shipments involved a sale of, or a transfer of title to, the merchandise within this state) by the total shipments of such merchandise by the taxpayer during the preceding year from that stock. As used in this section, the word "merchandise" means goods, wares, merchandise or material which were not manufactured in this state by the taxpayer and which were acquired by him (in any other manner whatsoever, including manufacture by him outside of this state) for the purpose of sale or shipment in substantially the same form in which they were

acquired by him within this state or were brought into this state by him. Breaking of packages or of bulk shipments, packaging, repackaging, labeling or relabeling shall not be considered as a change in form within the meaning of this section. A taxpayer who has made no shipments of merchandise, either out-of-state or in-state, during the preceding year, may compute the percentage to be applied to the stock of merchandise on the basis of his experience from March 1 of the preceding year to the last day of February of the current year, in lieu of computing the percentage on the basis of his experience during the preceding year. The rule of strict construction shall not apply to this section.

All rights, title or interest in or to any aircraft parts, equipment, furnishings, or accessories (but not engines or major structural components) which are manufactured outside of the state of Washington and are owned by purchasers of the aircraft constructed, under construction or to be constructed in the state of Washington, and are shipped into the state of Washington for installation in or use in connection with the operation of such aircraft shall be exempt from taxation prior to and during construction of such aircraft and while held in this state for periods preliminary to and during the transportation of such aircraft from the state of Washington.

[1973 c 149 § 2; 1969 ex.s. c 124 § 1.]

Purchases By Residents of Alaska & Hawaii

RCW 82.08.0269

The tax levied by RCW 82.08.020 shall not apply to sales for use in states, territories and possessions of the United States which are not contiguous to any other state, but only when, as a necessary incident to the contract of sale, the seller delivers the subject matter of the sale to the purchaser or his designated agent at the usual receiving terminal of the carrier selected to transport the goods, under such circumstances that it is reasonably certain that the goods will be transported directly to a destination in such noncontiguous states, territories and possessions.

[1980 c 37 § 36. Formerly RCW 82.08.030(18).]

Expenditures for Watershed & Flood Protection

RCW 82.08.0271

The tax levied by RCW 82.08.020 shall not apply to sales to municipal corporations, the state, and all political subdivisions thereof of tangible personal property consumed and/or of labor and services rendered in respect to contracts for watershed protection and/or flood prevention. This exemption shall be limited to that portion of the selling price which is reimbursed by the United States government according to the provisions of the Watershed Protection and Flood Prevention Act, Public Laws 566, as amended.

[1980 c 37 § 37. Formerly RCW 82.08.030(19).]

RCW 82.12.930

The provisions of this chapter do not apply with respect to the use by municipal corporations, the state, and all political subdivisions thereof of tangible personal property consumed and/or of labor and services as defined in RCW 82.04.050(2)(a) rendered in respect to contracts for watershed protection and/or flood prevention. This exemption is limited to that portion of the selling price

that is reimbursed by the United States government according to the provisions of the watershed protection and flood prevention act (68 Stat. 666; *16 U.S.C. Sec. 101 et seq.).

[2003 c 5 § 17.]

Agricultural Fairs

RCW 82.04.335

This chapter shall not apply to any business of any bona fide agricultural fair, if no part of the net earnings therefrom inures to the benefit of any stockholder or member of the association conducting the same: PROVIDED, That any amount paid for admission to any exhibit, grandstand, entertainment, or other feature conducted within the fair grounds by others shall be taxable under the provisions of this chapter, except as otherwise provided by law.

[1965 ex.s. c 145 § 1.]

Sand and Gravel for Local Road Construction

RCW 82.04.415

This chapter shall not apply to:

(1) The cost of or charges made for labor and services performed in respect to the mining, sorting, crushing, screening, washing, hauling, and stockpiling of sand, gravel, and rock, when such sand, gravel, or rock is taken from a pit or quarry which is owned by or leased to a county or city and such sand, gravel, or rock is either stockpiled in said pit or quarry for placement or is placed on the street, road, place, or highway of the county or city by the county or city itself; or

(2) The cost of or charges for such labor and services if any such sand, gravel, or rock is sold by the county or city to a county, or a city at actual cost for placement on a publicly owned street, road, place, or highway.

The exemption provided for in this section shall not apply to the cost of or charges for such labor and services if the sand, gravel, or rock is used for other than public road purposes or is sold otherwise than as provided for in this section.

[1965 ex.s. c 173 § 10.]

Water Cooperatives

RCW 84.36.250

The following property shall be exempt from taxation:

All property, whether real or personal belonging to any nonprofit corporation or cooperative association and used exclusively for the distribution of water to its shareholders or members.

[1965 ex.s. c 173 § 31.]

Semen for Artificial Insemination

RCW 82.08.0272

The tax levied by RCW 82.08.020 shall not apply to sales of semen for use in the artificial insemination of livestock.

[1980 c 37 § 38. Formerly RCW 82.08.030(20).]

RCW 82.12.0267

The provisions of this chapter shall not apply in respect to the use of semen in the artificial insemination of livestock.

[1980 c 37 § 66. Formerly RCW 82.12.030(16).]

Form Lumber

RCW 82.08.0274

The tax levied by RCW 82.08.020 shall not apply to sales of form lumber to any person engaged in the constructing, repairing, decorating, or improving of new or existing buildings or other structures under, upon or above real property of or for consumers: PROVIDED, That such lumber is used or to be used first by such person for the molding of concrete in a single such contract, project or job and is thereafter incorporated into the product of that same contract, project or job as an ingredient or component thereof.

[1980 c 37 § 40. Formerly RCW 82.08.030(22).]

RCW 82.12.0268

The provisions of this chapter shall not apply in respect to the use of form lumber by any person engaged in the constructing, repairing, decorating or improving of new or existing buildings or other structures under, upon or above real property of or for consumers: PROVIDED, That such lumber is used or to be used first by such person for the molding of concrete in a single such contract, project or job and is thereafter incorporated into the product of that same contract, project or job as an ingredient or component thereof.

[1980 c 37 § 67. Formerly RCW 82.12.030(17).]

Pollution Control Facilities

RCW 82.04.427

See chapter 82.34 RCW.

RCW 82.34.060(2)

(1) On and after July 30, 1967, an application for a determination of the cost of an existing or newly completed pollution control facility may be filed with the department in such manner and in such form as may be prescribed by the department. The application shall contain the final cost figures for the installation of the facility and reasonable supporting documents and other proof as required by the department. In the event such facility is not already covered by a certificate issued

for the purpose of authorizing the tax exemption or credit provided for in this chapter, the department shall seek the approval of the facility from the appropriate control agency. For any application for a certificate or supplement which was filed with the department not later than November 30, 1981, the department shall determine the final cost of the pollution control facility and issue a supplement to the existing certificate or an original certificate stating the cost of the pollution control facility: PROVIDED, That the cost of an existing pollution control facility shall be the depreciated value thereof at the time of application filed pursuant to this section.

(2) When the operation of a facility has commenced and a certificate pertaining thereto has been issued, a credit may be claimed against taxes imposed pursuant to chapters 82.04, 82.12 and 82.16 RCW. The amount of such credit shall be two percent of the cost of a facility covered by the certificate for each year the certificate remains in force. Such credits shall be cumulative and shall be subject only to the following limitations:

(a) No credit exceeding fifty percent of the taxes payable under chapters 82.04, 82.12 and 82.16 RCW shall be allowed in any reporting period;

(b) The net commercial value of any materials captured or recovered through use of a facility shall, first, reduce the credit allowable in the current reporting period and thereafter be applied to reduce any credit balance allowed and not yet utilized: PROVIDED, That for the purposes of this chapter the determination of "net commercial value" shall not include a deduction for the cost or depreciation of the facility.

(c) The total cumulative amount of such credits allowed for any facility covered by a certificate shall not exceed fifty percent of the cost of such facility.

(d) The total cumulative amount of credits against state taxes authorized by this chapter shall be reduced by the total amount of any federal investment credit or other federal tax credit actually received by the certificate holder applicable to the facility. This reduction shall be made as an offset against the credit claimed in the first reporting period following the allowance of such investment credit, and thereafter as an offset against any credit balance as it shall become available to the certificate holder.

(3) Applicants and certificate holders shall provide the department with information showing the net commercial value of materials captured or recovered by a facility and shall make all pertinent books and records available for examination by the department for the purposes of determining the credit provided by this chapter.

[1981 2nd ex.s. c 9 § 3; 1967 ex.s. c 139 § 6.]

Processors of Dry Peas

RCW 82.04.260(2)

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

(a) Wheat into flour, barley into pearl barley, soybeans into soybean oil, canola into canola oil, canola meal, or canola by-products, or sunflower seeds into sunflower oil; as to such persons the

amount of tax with respect to such business is equal to the value of the flour, pearl barley, oil, canola meal, or canola by-product manufactured, multiplied by the rate of 0.138 percent;

(b) Beginning July 1, 2012, seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person; or selling manufactured seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing, to purchasers who transport in the ordinary course of business the goods out of this state; as to such persons the amount of tax with respect to such business is equal to the value of the products manufactured or the gross proceeds derived from such sales, multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state;

(c) Beginning July 1, 2012, dairy products that as of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from the manufacturing of the dairy products such as whey and casein; or selling the same to purchasers who transport in the ordinary course of business the goods out of state; as to such persons the tax imposed is equal to the value of the products manufactured or the gross proceeds derived from such sales multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state;

(d) (i) Beginning July 1, 2012, fruit or vegetable products by canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables, or selling at wholesale fruit or vegetable products manufactured by the seller by canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables and sold to purchasers who transport in the ordinary course of business the goods out of this state; as to such persons the amount of tax with respect to such business is equal to the value of the products manufactured or the gross proceeds derived from such sales multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state;

(ii) For purposes of this subsection, “fruit or vegetable products”

(A) Products comprised exclusively of fruits, vegetables, or both; or

(B) Products comprised of fruits, vegetables, or both, and which may also contain water, sugar, salt, seasoning, preservatives, binders, stabilizers, flavorings, yeast, and similar substances. However, the amount of all ingredients contained in the product, other than fruits, vegetables, and water, may not exceed the amount of fruits and vegetables contained in the product measured by weight or volume;

(iii) “Fruit and vegetable products” includes only products that are intended for human consumption as food or animal consumption as feed;

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

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

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

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

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

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

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

(7) (a) Upon every person engaging within this state in the business of disposing of low-level waste, as defined in RCW 43.145.010; as to such persons the amount of the tax with respect to such

business is equal to the gross income of the business, excluding any fees imposed under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

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

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

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

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

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

(ii) 0.2904 percent beginning July 1, 2007.

(b) Beginning July 1, 2008, upon every person who is not eligible to report under the provisions of (a) of this subsection (10) and is engaging within this state in the business of manufacturing tooling specifically designed for use in manufacturing commercial airplanes or components of such airplanes, or making sales, at retail or wholesale, of such tooling manufactured by the seller, as to such persons the amount of tax with respect to such business is, in the case of manufacturers, equal to the value of the product manufactured and the gross proceeds of sales of the product manufactured, or in the case of processors for hire, be equal to the gross income of the business, multiplied by the rate of 0.2904 percent.

(c) For the purposes of this subsection (10), "commercial airplane" and "component" have the same meanings as provided in RCW 82.32.550.

(d) In addition to all other requirements under this title a person reporting under the tax rate provided in this subsection (10) must file a complete annual report with the department under [2010 c 114 § 103].

(e) This subsection (10) does not apply on and after July 1, 2024.

(11)(a) Until July 1, 2024, upon every person engaging within this state in the business of extracting timber or extracting for hire timber; as to such persons the amount of tax with respect to

the business is, in the case of extractors, equal to the value of products, including by-products, extracted, or in the case of extractors for hire, equal to the gross income of the business, multiplied by the rate of 0.4235 percent from July 1, 2006, through June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30, 2024.

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

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

(d) Until July 1, 2024, upon every person engaging within this state in the business of selling standing timber; as to such persons the amount of the tax with respect to the business is equal to the gross income of the business multiplied by the rate of 0.2904 percent. For purposes of this subsection (11)(d), "selling standing timber" means the sale of timber apart from the land, where the buyer is required to sever the timber within thirty months from the date of the original contract, regardless of the method of payment for the timber and whether title to the timber transfers before, upon, or after severance.

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

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

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

(iii) "Recycled paper" means paper and paper products having fifty percent or more of their fiber content that comes from postconsumer waste. For purposes of this subsection (11)(e)(iii),

"postconsumer waste" means a finished material that would normally be disposed of as solid waste, having completed its life cycle as a consumer item.

(iv) "Timber" means forest trees, standing or down, on privately or publicly owned land.

"Timber" does not include Christmas trees that are cultivated by agricultural methods or short-rotation hardwoods as defined in RCW 84.33.035.

(v) "Timber products" means:

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

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

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

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

(f) Except for small harvesters as defined in RCW 84.33.035, a person reporting under the tax rate provided in this subsection (12) must file a complete annual survey with the department under [2010 c 114 § 102].

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

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

(b) A person reporting under the tax rate provided in this subsection (14) must file a complete annual report with the department under [2010 c 114 § 103].

[2010 sp.s. c 23 § 506; 2010 c 114 § 107; 2009 c 479 § 64; 2009 c 461 § 1; 2009 c 162 § 34. Prior: 2008 c 296 § 1; 2008 c 217 § 100; 2008 c 81 § 4; prior: 2007 c 54 § 6; 2007 c 48 § 2; prior: 2006 c 354 § 4; 2006 c 300 § 1; prior: 2005 c 513 § 2; 2005 c 443 § 4; prior: 2003 2nd sp.s. c 1 § 4; 2003 2nd sp.s. c 1 § 3; 2003 c 339 § 11; 2003 c 261 § 11; 2001 2nd sp.s. c 25 § 2; prior: 1998 c 312 § 5; 1998 c 311 § 2; prior: 1998 c 170 § 4; 1996 c 148 § 2; 1996 c 115 § 1; prior: 1995 2nd sp.s. c 12 § 1; 1995 2nd sp.s. c 6 § 1; 1993 sp.s. c 25 § 104; 1993 c 492 § 304; 1991 c 272 § 15; 1990 c 21 § 2; 1987 c 139 § 1; prior: 1985 c 471 § 1; 1985 c 135 § 2; 1983 2nd ex.s. c 3 § 5; prior: 1983 1st ex.s. c 66 § 4; 1983 1st ex.s. c 55 § 4; 1982 2nd ex.s. c 13 § 1; 1982 c 10 § 16; prior: 1981 c 178 § 1; 1981 c 172 § 3; 1979 ex.s. c 196 § 2; 1975 1st ex.s. c 291 § 7; 1971 ex.s. c 281 § 5; 1971 ex.s. c 186 § 3; 1969 ex.s. c 262 § 36; 1967 ex.s. c 149 § 10; 1965 ex.s. c 173 § 6; 1961 c 15 § 82.04.260 ; prior: 1959 c 211 § 2; 1955 c 389 § 46; prior: 1953 c 91 § 4; 1951 2nd ex.s. c 28 § 4; 1950 ex.s. c 5 § 1, part; 1949 c 228 § 1, part; 1943 c 156 § 1, part; 1941 c 178 § 1, part; 1939 c 225 § 1, part; 1937 c 227 § 1, part; 1935 c 180 § 4, part; Rem. Supp. 1949 § 8370-4, part.]

Sales of Fuel to Foreign Governments

RCW 82.36.245

Sales of motor vehicle fuel to qualified foreign diplomatic and consular missions and their qualified personnel, made under rules prescribed by the director, are exempt from the tax imposed under this chapter if the foreign government represented grants an equivalent exemption to missions and personnel of the United States performing similar services in the foreign country. Only those foreign diplomatic and consular missions and their personnel which are determined by the United States department of state as eligible for the tax exemption, may claim this exemption under rules prescribed by the director.

[1989 c 193 § 2.]

Credit for Pollution Control Facilities

RCW 82.16.045

See chapter 82.34 RCW.

RCW 82.34.060(2)

(1) On and after July 30, 1967, an application for a determination of the cost of an existing or newly completed pollution control facility may be filed with the department in such manner and in such form as may be prescribed by the department. The application shall contain the final cost figures for the installation of the facility and reasonable supporting documents and other proof as required by the department. In the event such facility is not already covered by a certificate issued for the purpose of authorizing the tax exemption or credit provided for in this chapter, the department shall seek the approval of the facility from the appropriate control agency. For any application for a certificate or supplement which was filed with the department not later than November 30, 1981, the department shall determine the final cost of the pollution control facility and issue a supplement to the existing certificate or an original certificate stating the cost of the pollution control facility: PROVIDED, That the cost of an existing pollution control facility shall be the depreciated value thereof at the time of application filed pursuant to this section.

(2) When the operation of a facility has commenced and a certificate pertaining thereto has been issued, a credit may be claimed against taxes imposed pursuant to chapters 82.04, 82.12 and 82.16 RCW. The amount of such credit shall be two percent of the cost of a facility covered by the certificate for each year the certificate remains in force. Such credits shall be cumulative and shall be subject only to the following limitations:

(a) No credit exceeding fifty percent of the taxes payable under chapters 82.04, 82.12 and 82.16 RCW shall be allowed in any reporting period;

(b) The net commercial value of any materials captured or recovered through use of a facility shall, first, reduce the credit allowable in the current reporting period and thereafter be applied to reduce any credit balance allowed and not yet utilized: PROVIDED, That for the purposes of this chapter the determination of "net commercial value" shall not include a deduction for the cost or depreciation of the facility.

(c) The total cumulative amount of such credits allowed for any facility covered by a certificate shall not exceed fifty percent of the cost of such facility.

(d) The total cumulative amount of credits against state taxes authorized by this chapter shall be reduced by the total amount of any federal investment credit or other federal tax credit actually received by the certificate holder applicable to the facility. This reduction shall be made as an offset against the credit claimed in the first reporting period following the allowance of such investment credit, and thereafter as an offset against any credit balance as it shall become available to the certificate holder.

(3) Applicants and certificate holders shall provide the department with information showing the net commercial value of materials captured or recovered by a facility and shall make all pertinent books and records available for examination by the department for the purposes of determining the credit provided by this chapter.

[1981 2nd ex.s. c 9 § 3; 1967 ex.s. c 139 § 6.]

Transit Deduction for Metro

RCW 35.58.560

No county or city shall have the right to impose a tax upon the gross revenues derived by a metropolitan municipal corporation from the operation of a metropolitan sewage disposal, water supply, garbage disposal or public transportation system.

A metropolitan municipal corporation may credit or offset against the amount of any tax which is levied by the state during any calendar year upon the gross revenues derived by such metropolitan municipal corporation from the performance of any authorized function, the amount of any expenditures made from such gross revenues by such metropolitan municipal corporation during the same calendar year or any year prior to May 21, 1971 in planning for or performing the function of metropolitan public transportation and including interest on any moneys advanced for such purpose from other funds and to the extent of such credit a metropolitan municipal corporation may expend such revenues for such purposes.

A metropolitan municipal corporation authorized to perform the function of metropolitan public transportation and engaged in the operation of an urban passenger transportation system shall receive a refund of the amount of the motor vehicle fuel tax levied by the state and paid on each gallon of motor vehicle fuel used, whether such vehicle fuel tax has been paid either directly to the vendor from whom the motor vehicle fuel was purchased or indirectly by adding the amount of such tax to the price of such fuel: PROVIDED, That no refunds authorized by this section shall be granted on fuel used by any urban transportation vehicle on any trip where any portion of said trip is more than six road miles beyond the corporate limits of the metropolitan municipal corporation in which said trip originated.

[1971 ex.s. c 303 § 10; 1967 c 105 § 16.]

Credit for Tax Paid on Pollution Control Facilities

RCW 82.34.050(2)

(1) The original acquisition of a facility by the holder of a certificate shall be exempt from sales tax imposed by chapter 82.08 RCW and use tax imposed by chapter 82.12 RCW when the due date for payment of such taxes is subsequent to the effective date of the certificate: PROVIDED, That the exemption of this section shall not apply to servicing, maintenance, repairs, and replacement of parts after a facility is complete and placed in operation. Sales and use taxes paid by a holder of a certificate with respect to expenditures incurred for acquisition of a facility prior to the issuance of a certificate covering such facility may be claimed as a tax credit as provided in subsection (2) of this section.

(2) Subsequent to July 30, 1967 the holder of the certificate may, in lieu of accepting the tax exemption provided for in this section, elect to take a tax credit in the total amount of the exemption for the facility covered by such certificate against any future taxes to be paid pursuant to chapters 82.04, 82.12 and 82.16 RCW.

[2000 c 103 § 12; 1975 1st ex.s. c 158 § 1; 1967 ex.s. c 139 § 5.]

Pollen Exemption

RCW 82.08.0277

The tax levied by RCW 82.08.020 shall not apply to sales of pollen.

[1980 c 37 § 43. Formerly RCW 82.08.030(25).]

RCW 82.12.0273

The provisions of this chapter shall not apply in respect to the use of pollen.

[1980 c 37 § 71. Formerly RCW 82.12.030(21).]

Interest on Agricultural Loans

RCW 82.04.4294

In computing tax there may be deducted from the measure of tax amounts derived as interest on loans to bona fide farmers and ranchers, producers or harvesters of aquatic products, or their cooperatives by a lending institution which is owned exclusively by its borrowers or members and which is engaged solely in the business of making loans and providing finance-related services to bona fide farmers and ranchers, producers or harvesters of aquatic products, their cooperatives, rural residents for housing, or persons engaged in furnishing farm-related or aquatic-related services to these individuals or entities.

[1980 c 37 § 14. Formerly RCW 82.04.430(13).]

Intergovernmental Charges

RCW 82.04.4291

In computing tax there may be deducted from the measure of tax amounts derived by a political subdivision of the state of Washington from another political subdivision of the state of Washington as compensation for services which are within the purview of RCW 82.04.290.

[1980 c 37 § 11. Formerly RCW 82.04.430(10).]

Sheltered Workshops

RCW 82.04.385

This chapter shall not apply to income received from the department of social and health services for the cost of care, maintenance, support, and training of persons with developmental disabilities at nonprofit group training homes as defined by chapter 71A.22 RCW or to the business activities of nonprofit organizations from the operation of sheltered workshops. For the purposes of this section, "the operation of sheltered workshops" means performance of business activities of any kind on or off the premises of such nonprofit organizations which are performed for the primary purpose of (1) providing gainful employment or rehabilitation services to the handicapped as an interim step in the rehabilitation process for those who cannot be readily absorbed in the competitive labor market or during such time as employment opportunities for them in the competitive labor market do not exist; or (2) providing evaluation and work adjustment services for handicapped individuals.

[1988 c 176 § 915; 1988 c 13 § 1; 1972 ex.s. c 134 § 1; 1970 ex.s. c 81 § 3.]

REET – No Change Beneficial Owner

RCW 82.45.010(3)(o)

(1) As used in this chapter, the term "sale" has its ordinary meaning and includes any conveyance, grant, assignment, quitclaim, or transfer of the ownership of or title to real property, including standing timber, or any estate or interest therein for a valuable consideration, and any contract for such conveyance, grant, assignment, quitclaim, or transfer, and any lease with an option

to purchase real property, including standing timber, or any estate or interest therein or other contract under which possession of the property is given to the purchaser, or any other person at the purchaser's direction, and title to the property is retained by the vendor as security for the payment of the purchase price. The term also includes the grant, assignment, quitclaim, sale, or transfer of improvements constructed upon leased land.

(2)(a) The term "sale" also includes the transfer or acquisition within any twelve-month period of a controlling interest in any entity with an interest in real property located in this state for a valuable consideration.

(b) For the sole purpose of determining whether, pursuant to the exercise of an option, a controlling interest was transferred or acquired within a twelve-month period, the date that the option agreement was executed is the date on which the transfer or acquisition of the controlling

interest is deemed to occur. For all other purposes under this chapter, the date upon which the option is exercised is the date of the transfer or acquisition of the controlling interest.

(c) For purposes of this subsection, all acquisitions of persons acting in concert must be aggregated for purposes of determining whether a transfer or acquisition of a controlling interest has taken place. The department must adopt standards by rule to determine when persons are acting in concert. In adopting a rule for this purpose, the department must consider the following:

(i) Persons must be treated as acting in concert when they have a relationship with each other such that one person influences or controls the actions of another through common ownership; and

(ii) When persons are not commonly owned or controlled, they must be treated as acting in concert only when the unity with which the purchasers have negotiated and will consummate the transfer of ownership interests supports a finding that they are acting as a single entity. If the acquisitions are completely independent, with each purchaser buying without regard to the identity of the other purchasers, then the acquisitions are considered separate acquisitions.

(3) The term "sale" does not include:

(a) A transfer by gift, devise, or inheritance.

(b) A transfer of any leasehold interest other than of the type mentioned above.

(c) A cancellation or forfeiture of a vendee's interest in a contract for the sale of real property, whether or not such contract contains a forfeiture clause, or deed in lieu of foreclosure of a mortgage.

(d) The partition of property by tenants in common by agreement or as the result of a court decree.

(e) The assignment of property or interest in property from one spouse or one domestic partner to the other spouse or other domestic partner in accordance with the terms of a decree of dissolution of marriage or state registered domestic partnership or in fulfillment of a property settlement agreement.

(f) The assignment or other transfer of a vendor's interest in a contract for the sale of real property, even though accompanied by a conveyance of the vendor's interest in the real property involved.

(g) Transfers by appropriation or decree in condemnation proceedings brought by the United States, the state or any political subdivision thereof, or a municipal corporation.

(h) A mortgage or other transfer of an interest in real property merely to secure a debt, or the assignment thereof.

(i) Any transfer or conveyance made pursuant to a deed of trust or an order of sale by the court in any mortgage, deed of trust, or lien foreclosure proceeding or upon execution of a judgment, or deed in lieu of foreclosure to satisfy a mortgage or deed of trust.

(j) A conveyance to the federal housing administration or veterans administration by an authorized mortgagee made pursuant to a contract of insurance or guaranty with the federal housing administration or veterans administration.

(k) A transfer in compliance with the terms of any lease or contract upon which the tax as imposed by this chapter has been paid or where the lease or contract was entered into prior to the date this tax was first imposed.

(l) The sale of any grave or lot in an established cemetery.

(m) A sale by the United States, this state or any political subdivision thereof, or a municipal corporation of this state.

(n) A sale to a regional transit authority or public corporation under RCW 81.112.320 under a sale/leaseback agreement under RCW 81.112.300.

(o) A transfer of real property, however effected, if it consists of a mere change in identity or form of ownership of an entity where there is no change in the beneficial ownership. These include transfers to a corporation or partnership which is wholly owned by the transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner. However, if thereafter such transferee corporation or partnership voluntarily transfers such real property, or such transferor, spouse or domestic partner, or children of the transferor or the transferor's spouse or domestic partner voluntarily transfer stock in the transferee corporation or interest in the transferee partnership capital, as the case may be, to other than (i) the transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner, (ii) a trust having the transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner as the only beneficiaries at the time of the transfer to the trust, or (iii) a corporation or partnership wholly owned by the original transferor and/or the transferor's spouse or domestic partner or children of the transferor or the transferor's spouse or domestic partner, within three years of the original transfer to which this exemption applies, and the tax on the subsequent transfer has not been paid within sixty days of becoming due, excise taxes become due and payable on the original transfer as otherwise provided by law.

(p)(i) A transfer that for federal income tax purposes does not involve the recognition of gain or loss for entity formation, liquidation or dissolution, and reorganization, including but not limited to nonrecognition of gain or loss because of application of 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731 of the internal revenue code of 1986, as amended.

(ii) However, the transfer described in (p)(i) of this subsection cannot be preceded or followed within a twelve-month period by another transfer or series of transfers, that, when combined with the otherwise exempt transfer or transfers described in (p)(i) of this subsection, results in the transfer of a controlling interest in the entity for valuable consideration, and in which one or more persons previously holding a controlling interest in the entity receive cash or property in exchange for any interest the person or persons acting in concert hold in the entity. This subsection (3)(p)(ii) does not apply to that part of the transfer involving property received that is the real property interest that the person or persons originally contributed to the entity or when one or more persons who did not contribute real property or belong to the entity at a time when real property was purchased receive cash or personal property in exchange for that person or persons' interest in the entity. The real estate excise tax under this subsection (3)(p)(ii) is imposed upon the person or persons who previously held a controlling interest in the entity.

(q) A qualified sale of a manufactured/mobile home community, as defined in RCW 59.20.030, that takes place on or after June 12, 2008, but before December 31, 2018.

[2010 sp.s. c 23 § 207; 2008 c 116 § 3; 2008 c 6 § 701; 2000 2nd sp.s. c 4 § 26; 1999 c 209 § 2; 1993 sp.s. c 25 § 502; 1981 c 93 § 1; 1970 ex.s. c 65 § 1; 1969 ex.s. c 223 § 28A.45.010. Prior: 1955 c 132 § 1; 1953 c 94 § 1; 1951 2nd ex.s. c 19 § 1; 1951 1st ex.s. c 11 § 7. Formerly RCW 28A.45.010, 28.45.010.]

Annexation Sales

RCW 82.08.0278

The tax levied by RCW 82.08.020 shall not apply to sales to one political subdivision by another political subdivision directly or indirectly arising out of or resulting from the annexation or incorporation of any part of the territory of one political subdivision by another.

[1980 c 37 § 44. Formerly RCW 82.08.030(26).]

RCW 82.12.0274

The provisions of this chapter shall not apply in respect to the use of the personal property of one political subdivision by another political subdivision directly or indirectly arising out of or resulting from the annexation or incorporation of any part of the territory of one political subdivision by another.

[1980 c 37 § 72. Formerly RCW 82.12.030(22).]

Christmas Trees and Cottonwoods

RCW 84.33.170

Notwithstanding any provision of this chapter to the contrary, this chapter shall not exempt from the ad valorem tax nor subject to the excise tax imposed by this chapter, Christmas trees and short-rotation hardwoods, which are cultivated by agricultural methods, and the land on which the Christmas trees and short-rotation hardwoods stand shall not be taxed as provided in RCW 84.33.140. However, short-rotation hardwoods, which are cultivated by agricultural methods, on land classified as timber land under chapter 84.34 RCW, shall be subject to the excise tax imposed under this chapter.

[2001 c 249 § 5; 1995 c 165 § 2; 1984 c 204 § 24; 1983 c 3 § 226; 1971 ex.s. c 294 § 17.]

Timber

RCW 84.33.040

Timber is exempt from ad valorem taxation.

[2004 c 177 § 3; 1984 c 204 § 18; 1983 1st ex.s. c 62 § 7; 1971 ex.s. c 294 § 4.]

Litter Tax; Agricultural Products

RCW 82.19.050(2)

The litter tax imposed in this chapter does not apply to:

- (1) The manufacture or sale of products for use and consumption outside the state;
 - (2) The value of products or gross proceeds of the sales exempt from tax under RCW 82.04.330;
 - (3) The sale of products for resale by a qualified grocery distribution cooperative to customer-owners of the grocery distribution cooperative. For the purposes of this section, "qualified grocery distribution cooperative" and "customer-owner" have the meanings given in RCW 82.04.298;
 - (4) The sale of food or beverages by retailers that are sold solely for immediate consumption indoors at the seller's place of business or at a deck or patio at the seller's place of business, or indoors at an eating area that is contiguous to the seller's place of business; or
 - (5)(a) The sale of prepared food or beverages by caterers where the food or beverages are to be served for immediate consumption in or on individual nonsingle use containers at premises occupied or controlled by the customer.
- (b) For the purposes of this subsection, the following definitions apply:
- (i) "Prepared food" has the same meaning as provided in RCW 82.08.0293.
 - (ii) "Nonsingle use container" means a receptacle for holding a single individual's food or beverage that is designed to be used more than once. Nonsingle use containers do not include pizza delivery bags and similar insulated containers that do not directly contact the food. Nonsingle use containers do not include plastic or paper plates or other containers that are disposable.
 - (iii) "Caterer" means a person contracted to prepare food where the final cooking or serving occurs at a location selected by the customer.

[2005 c 289 § 1; 2003 c 120 § 1; 2001 1st sp.s. c 9 § 7; (2001 1st sp.s. c 9 § 8 expired July 22, 2001); 2001 c 118 § 7; 1992 c 175 § 7; 1971 ex.s. c 307 § 17. Formerly RCW 70.93.170.]

Forest Land Compensating Tax Exemptions

RCW 84.33.140(13)-(14)

- (1) When land has been designated as forest land under RCW 84.33.130, a notation of the designation shall be made each year upon the assessment and tax rolls. A copy of the notice of approval together with the legal description or assessor's parcel numbers for the land shall, at the expense of the applicant, be filed by the assessor in the same manner as deeds are recorded.
- (2) In preparing the assessment roll as of January 1, 2002, for taxes payable in 2003 and each January 1st thereafter, the assessor shall list each parcel of designated forest land at a value with respect to the grade and class provided in this subsection and adjusted as provided in subsection (3) of this section. The assessor shall compute the assessed value of the land using the same assessment ratio applied generally in computing the assessed value of other property in the county. Values for the several grades of bare forest land shall be as follows:

Land Grade	Operability Class	Values per Acre
	1	\$234
1	2	229
	3	217
	4	157
	1	198
2	2	190
	3	183
	4	132
	1	154
3	2	149
	3	148
	4	113
	1	117
4	2	114
	3	113
	4	86
	1	85
5	2	78
	3	77
	4	52
	1	43
6	2	39
	3	39
	4	37
	1	21
7	2	21
	3	20
	4	20
8		1

(3) On or before December 31, 2001, the department shall adjust by rule under chapter 34.05 RCW, the forest land values contained in subsection (2) of this section in accordance with this

subsection, and shall certify the adjusted values to the assessor who will use these values in preparing the assessment roll as of January 1, 2002. For the adjustment to be made on or before December 31, 2001, for use in the 2002 assessment year, the department shall:

(a) Divide the aggregate value of all timber harvested within the state between July 1, 1996, and June 30, 2001, by the aggregate harvest volume for the same period, as determined from the harvester excise tax returns filed with the department under RCW 84.33.074; and

(b) Divide the aggregate value of all timber harvested within the state between July 1, 1995, and June 30, 2000, by the aggregate harvest volume for the same period, as determined from the harvester excise tax returns filed with the department under RCW 84.33.074; and

(c) Adjust the forest land values contained in subsection (2) of this section by a percentage equal to one-half of the percentage change in the average values of harvested timber reflected by comparing the resultant values calculated under (a) and (b) of this subsection.

(4) For the adjustments to be made on or before December 31, 2002, and each succeeding year thereafter, the same procedure described in subsection (3) of this section shall be followed using harvester excise tax returns filed under RCW 84.33.074. However, this adjustment shall be made to the prior year's adjusted value, and the five-year periods for calculating average harvested timber values shall be successively one year more recent.

(5) Land graded, assessed, and valued as forest land shall continue to be so graded, assessed, and valued until removal of designation by the assessor upon the occurrence of any of the following:

(a) Receipt of notice from the owner to remove the designation;

(b) Sale or transfer to an ownership making the land exempt from ad valorem taxation;

(c) Sale or transfer of all or a portion of the land to a new owner, unless the new owner has signed a notice of forest land designation continuance, except transfer to an owner who is an heir or devisee of a deceased owner, shall not, by itself, result in removal of designation. The signed notice of continuance shall be attached to the real estate excise tax affidavit provided for in RCW 82.45.150. The notice of continuance shall be on a form prepared by the department. If the notice of continuance is not signed by the new owner and attached to the real estate excise tax affidavit, all compensating taxes calculated under subsection (11) of this section shall become due and payable by the seller or transferor at time of sale. The auditor shall not accept an instrument of conveyance regarding designated forest land for filing or recording unless the new owner has signed the notice of continuance or the compensating tax has been paid, as evidenced by the real estate excise tax stamp affixed thereto by the treasurer. The seller, transferor, or new owner may appeal the new assessed valuation calculated under subsection (11) of this section to the county board of equalization in accordance with the provisions of RCW 84.40.038. Jurisdiction is hereby conferred on the county board of equalization to hear these appeals;

(d) Determination by the assessor, after giving the owner written notice and an opportunity to be heard, that:

(i) The land is no longer primarily devoted to and used for growing and harvesting timber. However, land shall not be removed from designation if a governmental agency, organization, or other recipient identified in subsection (13) or (14) of this section as exempt from the payment of

compensating tax has manifested its intent in writing or by other official action to acquire a property interest in the designated forest land by means of a transaction that qualifies for an exemption under subsection (13) or (14) of this section. The governmental agency, organization, or recipient shall annually provide the assessor of the county in which the land is located reasonable evidence in writing of the intent to acquire the designated land as long as the intent continues or within sixty days of a request by the assessor. The assessor may not request this evidence more than once in a calendar year;

(ii) The owner has failed to comply with a final administrative or judicial order with respect to a violation of the restocking, forest management, fire protection, insect and disease control, and forest debris provisions of Title 76 RCW or any applicable rules under Title 76 RCW; or

(iii) Restocking has not occurred to the extent or within the time specified in the application for designation of such land.

(6) Land shall not be removed from designation if there is a governmental restriction that prohibits, in whole or in part, the owner from harvesting timber from the owner's designated forest land. If only a portion of the parcel is impacted by governmental restrictions of this nature, the restrictions cannot be used as a basis to remove the remainder of the forest land from designation under this chapter. For the purposes of this section, "governmental restrictions" includes: (a) Any law, regulation, rule, ordinance, program, or other action adopted or taken by a federal, state, county, city, or other governmental entity; or (b) the land's zoning or its presence within an urban growth area designated under RCW 36.70A.110.

(7) The assessor shall have the option of requiring an owner of forest land to file a timber management plan with the assessor upon the occurrence of one of the following:

(a) An application for designation as forest land is submitted; or

(b) Designated forest land is sold or transferred and a notice of continuance, described in subsection (5)(c) of this section, is signed.

(8) If land is removed from designation because of any of the circumstances listed in subsection (5)(a) through (c) of this section, the removal shall apply only to the land affected. If land is removed from designation because of subsection (5)(d) of this section, the removal shall apply only to the actual area of land that is no longer primarily devoted to the growing and harvesting of timber, without regard to any other land that may have been included in the application and approved for designation, as long as the remaining designated forest land meets the definition of forest land contained in RCW 84.33.035.

(9) Within thirty days after the removal of designation as forest land, the assessor shall notify the owner in writing, setting forth the reasons for the removal. The seller, transferor, or owner may appeal the removal to the county board of equalization in accordance with the provisions of RCW 84.40.038.

(10) Unless the removal is reversed on appeal a copy of the notice of removal with a notation of the action, if any, upon appeal, together with the legal description or assessor's parcel numbers for the land removed from designation shall, at the expense of the applicant, be filed by the assessor in the same manner as deeds are recorded and a notation of removal from designation shall

immediately be made upon the assessment and tax rolls. The assessor shall revalue the land to be removed with reference to its true and fair value as of January 1st of the year of removal from designation. Both the assessed value before and after the removal of designation shall be listed. Taxes based on the value of the land as forest land shall be assessed and payable up until the date of removal and taxes based on the true and fair value of the land shall be assessed and payable from the date of removal from designation.

(11) Except as provided in subsection (5)(c), (13), or (14) of this section, a compensating tax shall be imposed on land removed from designation as forest land. The compensating tax shall be due and payable to the treasurer thirty days after the owner is notified of the amount of this tax. As soon as possible after the land is removed from designation, the assessor shall compute the amount of compensating tax and mail a notice to the owner of the amount of compensating tax owed and the date on which payment of this tax is due. The amount of compensating tax shall be equal to the difference between the amount of tax last levied on the land as designated forest land and an amount equal to the new assessed value of the land multiplied by the dollar rate of the last levy extended against the land, multiplied by a number, in no event greater than nine, equal to the number of years for which the land was designated as forest land, plus compensating taxes on the land at forest land values up until the date of removal and the prorated taxes on the land at true and fair value from the date of removal to the end of the current tax year.

(12) Compensating tax, together with applicable interest thereon, shall become a lien on the land which shall attach at the time the land is removed from designation as forest land and shall have priority to and shall be fully paid and satisfied before any recognizance, mortgage, judgment, debt, obligation, or responsibility to or with which the land may become charged or liable. The lien may be foreclosed upon expiration of the same period after delinquency and in the same manner provided by law for foreclosure of liens for delinquent real property taxes as provided in RCW 84.64.050. Any compensating tax unpaid on its due date shall thereupon become delinquent. From the date of delinquency until paid, interest shall be charged at the same rate applied by law to delinquent ad valorem property taxes.

(13) The compensating tax specified in subsection (11) of this section shall not be imposed if the removal of designation under subsection (5) of this section resulted solely from:

- (a) Transfer to a government entity in exchange for other forest land located within the state of Washington;
- (b) A taking through the exercise of the power of eminent domain, or sale or transfer to an entity having the power of eminent domain in anticipation of the exercise of such power;
- (c) A donation of fee title, development rights, or the right to harvest timber, to a government agency or organization qualified under RCW 84.34.210 and 64.04.130 for the purposes enumerated in those sections, or the sale or transfer of fee title to a governmental entity or a nonprofit nature conservancy corporation, as defined in RCW 64.04.130, exclusively for the protection and conservation of lands recommended for state natural area preserve purposes by the natural heritage council and natural heritage plan as defined in chapter 79.70 RCW or approved for state natural resources conservation area purposes as defined in chapter 79.71 RCW. At such time as the land is

not used for the purposes enumerated, the compensating tax specified in subsection (11) of this section shall be imposed upon the current owner;

(d) The sale or transfer of fee title to the parks and recreation commission for park and recreation purposes;

(e) Official action by an agency of the state of Washington or by the county or city within which the land is located that disallows the present use of the land;

(f) The creation, sale, or transfer of forestry riparian easements under RCW 76.13.120;

(g) The creation, sale, or transfer of a conservation easement of private forest lands within unconfined channel migration zones or containing critical habitat for threatened or endangered species under RCW 76.09.040;

(h) The sale or transfer of land within two years after the death of the owner of at least a fifty percent interest in the land if the land has been assessed and valued as classified forest land, designated as forest land under this chapter, or classified under chapter 84.34 RCW continuously since 1993. The date of death shown on a death certificate is the date used for the purposes of this subsection (13)(h); or

(i)(i) The discovery that the land was designated under this chapter in error through no fault of the owner. For purposes of this subsection (13)(i), "fault" means a knowingly false or misleading statement, or other act or omission not in good faith, that contributed to the approval of designation under this chapter or the failure of the assessor to remove the land from designation under this chapter.

(ii) For purposes of this subsection (13), the discovery that land was designated under this chapter in error through no fault of the owner is not the sole reason for removal of designation under subsection (5) of this section if an independent basis for removal exists. An example of an independent basis for removal includes the land no longer being devoted to and used for growing and harvesting timber.

(14) In a county with a population of more than six hundred thousand inhabitants, the compensating tax specified in subsection (11) of this section shall not be imposed if the removal of designation as forest land under subsection (5) of this section resulted solely from:

(a) An action described in subsection (13) of this section; or

(b) A transfer of a property interest to a government entity, or to a nonprofit historic preservation corporation or nonprofit nature conservancy corporation, as defined in RCW 64.04.130, to protect or enhance public resources, or to preserve, maintain, improve, restore, limit the future use of, or otherwise to conserve for public use or enjoyment, the property interest being transferred. At such time as the property interest is not used for the purposes enumerated, the compensating tax shall be imposed upon the current owner.

[2009 c 354 § 2; 2009 c 255 § 3; 2009 c 246 § 2; 2007 c 54 § 24; 2005 c 303 § 13; 2003 c 170 § 5. Prior: 2001 c 305 § 2; 2001 c 249 § 3; 2001 c 185 § 5; 1999 sp.s. c 4 § 703; 1999 c 233 § 21; 1997 c 299 § 2; 1995 c 330 § 2; 1992 c 69 § 2; 1986 c 238 § 2; 1981 c 148 § 9; 1980 c 134 § 3; 1974 ex.s. c 187 § 7; 1973 1st ex.s. c 195 § 93; 1972 ex.s. c 148 § 6; 1971 ex.s. c 294 § 14.]

Nursery Stock

RCW 84.40.220

Whoever owns, or has in his possession or subject to his control, any goods, merchandise, grain or produce of any kind, or other personal property within this state, with authority to sell the same, which has been purchased either in or out of this state, with a view to being sold at an advanced price or profit, or which has been consigned to him from any place out of this state for the purpose of being sold at any place within the state, shall be held to be a merchant, and when he is by this title required to make out and to deliver to the assessor a statement of his other personal property, he shall state the value of such property pertaining to his business as a merchant. No consignee shall be required to list for taxation the value of any property the product of this state, nor the value of any property consigned to him from any other place for the sole purpose of being stored or forwarded, if he has no interest in such property nor any profit to be derived from its sale. The growing stock of nurserymen, which is owned by the original producer thereof or which has been held or possessed by the nurserymen for one hundred eighty days or more, shall, whether personal or real property, be considered the same as growing crops on cultivated lands: PROVIDED, That the nurserymen be licensed by the department of agriculture: PROVIDED FURTHER, That an original producer, within the meaning of this section, shall include a person who, beginning with seeds, cuttings, bulbs, corms, or any form of immature plants, grows such plants in the course of their development into either a marketable partially grown product or a marketable consumer product.

[1974 ex.s. c 83 § 1; 1971 ex.s. c 18 § 1; 1961 c 15 § 84.40.220. Prior: 1939 c 116 § 1; 1925 ex.s. c 130 § 25; 1897 c 71 § 18; 1893 c 124 § 18; 1891 c 140 § 18; 1890 p 537 § 19; Code 1881 § 2839; RRS § 11129. Formerly RCW 84.40.030, part, and 84.40.220.]

Home Improvements

RCW 84.36.400

Any physical improvement to single family dwellings upon real property shall be exempt from taxation for the three assessment years subsequent to the completion of the improvement to the extent that the improvement represents thirty percent or less of the value of the original structure. A taxpayer desiring to obtain the exemption granted by this section must file notice of his intention to construct the improvement prior to the improvement being made on forms prescribed by the department of revenue and furnished to the taxpayer by the county assessor: PROVIDED, That this exemption cannot be claimed more than once in a five-year period.

The department of revenue shall promulgate such rules and regulations as are necessary and convenient to properly administer the provisions of this section.

[1972 ex.s. c 125 § 3.]

Destroyed Property

RCW 84.70.010

(1) If, on or before December 31 in any calendar year, any real or personal property placed upon the assessment roll of that year is destroyed in whole or in part, or is in an area that has been declared a disaster area by the governor or the county legislative authority and has been reduced in value by more than twenty percent as a result of a natural disaster, the true and fair value of such property shall be reduced for that assessment year by an amount determined by taking the true and fair value of such taxable property before destruction or reduction in value and deduct therefrom the true and fair value of the remaining property after destruction or reduction in value.

(2) Taxes levied for collection in the year in which the true and fair value has been reduced under subsection (1) of this section shall be abated in whole or in part as provided in this subsection. The amount of taxes to be abated shall be determined by first multiplying the amount deducted from the true and fair value under subsection (1) of this section by the rate of levy applicable to the property in the tax year. Then divide the product by the number of days in the year and multiply the quotient by the number of days remaining in the calendar year after the date of the destruction or reduction in value of the property. If taxes abated under this section have been paid, the amount paid shall be refunded under RCW 84.69.020. The tax relief provided for in this section for the tax year in which the damage or destruction occurred does not apply to property damaged or destroyed voluntarily.

(3) No reduction in the true and fair value or abatements shall be made more than three years after the date of destruction or reduction in value.

(4) The assessor shall make such reduction on his or her own motion; however, the taxpayer may make application for reduction on forms prepared by the department and provided by the assessor. The assessor shall notify the taxpayer of the amount of reduction.

(5) If destroyed property is replaced prior to the valuation dates contained in RCW 36.21.080 and 36.21.090, the total taxable value for that assessment year shall not exceed the value as of the appropriate valuation date in RCW 36.21.080 or 36.21.090, whichever is appropriate.

(6) The taxpayer may appeal the amount of reduction to the county board of equalization in accordance with the provisions of RCW 84.40.038. The board shall reconvene, if necessary, to hear the appeal.

[2005 c 56 § 1; 2001 c 187 § 26; 1999 sp.s. c 8 § 1; 1997 c 3 § 126 (Referendum Bill No. 47, approved November 4, 1997); 1994 c 301 § 56; 1987 c 319 § 6; 1981 c 274 § 1; 1975 1st ex.s. c 120 § 2; 1974 ex.s. c 196 § 3.]

Returnable Containers

RCW 82.08.0282

The tax levied by RCW 82.08.020 shall not apply to sales of returnable containers for beverages and foods, including but not limited to soft drinks, milk, beer, and mixers.

[1980 c 37 § 47. Formerly RCW 82.08.030(29).]

RCW 82.12.0276

The provisions of this chapter shall not apply in respect to the use of returnable containers for beverages and foods, including but not limited to soft drinks, milk, beer, and mixers.

[1980 c 37 § 74. Formerly RCW 82.12.030(24).]

Certified Aircraft Repair Firms

RCW 82.04.250(3)

Note: Multiple bills amending this statute passed during the 2010 regular and special legislative sessions. Though not yet reconciled at the time of publication, the Code Reviser has indicated the following will be the applicable statutory language from July 13, 2010, through June 30, 2011.

(1) Upon every person engaging within this state in the business of making sales at retail, except persons taxable as retailers under other provisions of this chapter, as to such persons, the amount of tax with respect to such business is equal to the gross proceeds of sales of the business, multiplied by the rate of 0.471 percent.

(2) Upon every person engaging within this state in the business of making sales at retail that are exempt from the tax imposed under chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or 82.08.0263, except persons taxable under RCW 82.04.260(10) or subsection (3) of this section, as to such persons, the amount of tax with respect to such business is equal to the gross proceeds of sales of the business, multiplied by the rate of 0.484 percent.

(3) Until July 1, 2024, upon every person classified by the federal aviation administration as a federal aviation regulation part 145 certificated repair station and that is engaging within this state in the business of making sales at retail that are exempt from the tax imposed under chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or 82.08.0263, as to such persons, the amount of tax with respect to such business is equal to the gross proceeds of sales of the business, multiplied by the rate of .2904 percent.

[2010 sp.s. c 23 § 508; 2010 sp.s. c 11 § 1; 2010 c 114 § 106; 2008 c 81 § 5; 2006 c 177 § 5; 2003 2nd sp.s. c 1 § 2; (2003 1st sp.s. c 2 § 1 expired July 1, 2006). Prior: 1998 c 343 § 5; 1998 c 312 § 4; 1993 sp.s. c 25 § 103; 1981 c 172 § 2; 1971 ex.s. c 281 § 4; 1971 ex.s. c 186 § 2; 1969 ex.s. c 262 § 35; 1967 ex.s. c 149 § 9; 1961 c 15 § 82.04.250; prior: 1955 c 389 § 45; prior: 1950 ex.s. c 5 § 1, part; 1949 c 228 § 1, part; 1943 c 156 § 1, part; 1941 c 178 § 1, part; 1939 c 225 § 1, part; 1937 c 227 § 1, part; 1935 c 180 § 4, part; Rem. Supp. 1949 § 8370-4, part.]

Energy Efficient Equipment

RCW 82.04.4493

(1) In computing the tax imposed under this chapter, a credit is allowed in an amount equal to eight and eight-tenths percent multiplied by the purchase price, as defined in RCW 82.12.010, of the following items:

(a) Commercial freezers and refrigerators meeting consortium for energy efficiency tier 2 specifications dated January 1, 2006;

(b) High efficiency commercial clothes washers meeting consortium for energy efficiency specifications dated November 14, 2007;

(c) Commercial ice makers meeting consortium for energy efficiency specifications dated January 1, 2006;

(d) Commercial full-sized gas convection ovens with interior measurements of six cubic feet or larger;

(e) Commercial deep fat fryers which are rated energy star as of August 2003;

(f) Commercial hot food holding cabinets which are rated energy star as of August 2003; and

(g) Commercial electric and gas steam cookers, also known as compartment cookers, which are rated energy star as of August 2003.

(2) A person may not take the credit under this section if the person's gross income of the business in the prior calendar year exceeded seven hundred fifty thousand dollars.

(3) A credit earned during one calendar year may be carried over to be credited against taxes incurred in the subsequent calendar year. Credit may not be claimed against taxes due for any tax reporting period ending before the credit was earned. No refunds shall be granted for credits under this section.

(4) Credits are available on a first-in-time basis. The department shall disallow any credits, or portion thereof, that would cause the total amount of credits claimed statewide under this section in any year to exceed seven hundred fifty thousand dollars. If the seven hundred fifty thousand dollar limitation is reached, the department shall provide written notice to any person that has claimed tax credits after the seven hundred fifty thousand dollar limitation in this subsection has been met. The notice shall indicate the amount of tax due and shall provide that the tax be paid within thirty days from the date of such notice. The department may not assess penalties and interest as provided in chapter 82.32 RCW on the amount due in the initial notice if the amount due is paid by the due date specified in the notice, or any extension thereof.

(5) The department of community, trade, and economic development must prepare and deliver a report to the legislature no later than December 30, 2010, assessing the overall energy and cost saving impacts of this section.

(6) Credit may not be claimed under this section for the purchase of an item, listed in subsection (1) of this section, before July 1, 2008.

(7) Credit may not be claimed under this section for the purchase of an item, listed in subsection (1) of this section, after June 30, 2010.

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

(a)(i) "Commercial refrigerators and freezers" means refrigerators, freezers, or refrigerator-freezers designed for use by commercial or institutional facilities for the purpose of storing or merchandising food products, beverages, or ice at specified temperatures that: (A) Incorporate most components involved in the vapor-compression cycle and the refrigerated compartment in a single

cabinet; and (B) may be configured with either solid or transparent doors as a reach-in cabinet, pass-through cabinet, roll-in cabinet, or roll-through cabinet.

(ii) "Commercial refrigerators and freezers" does not include: (A) Products with eighty-five cubic feet or more of internal volume; (B) walk-in refrigerators or freezers; (C) consumer products that are federally regulated pursuant to Title 42 U.S.C. Sec. 6291 et seq.; (D) products without doors; or (E) freezers specifically designed for ice cream.

(b) "Commercial clothes washer" means a soft mount horizontal or vertical-axis clothes washer that: (i) Has a clothes container compartment no greater than three and one-half cubic feet in the case of a horizontal-axis product or no greater than four cubic feet in the case of a vertical-axis product; and (ii) is designed for use by more than one household, such as in multifamily housing, apartments, or coin laundries.

(c) "Commercial hot food holding cabinet" means an appliance that is designed to hold hot food at a specified temperature, which has been cooked using a separate appliance.

(d) "Commercial ice maker" means a factory-made assembly, not necessarily shipped in one package, consisting of a condensing unit and ice-making section operating as an integrated unit with means for making and harvesting ice. It may also include integrated components for storing or dispensing ice, or both.

(e) "Commercial open, deep-fat fryer" means an appliance, including a cooking vessel, in which oil is placed to such a depth that the cooking food is essentially supported by displacement of the cooking fluid rather than by the bottom of the vessel. Heat is delivered to the cooking fluid by means of an immersed electric element or band-wrapped vessel (electric fryers), or by heat transfer from gas burners through either the walls of the fryer or through tubes passing through the cooking fluid (gas fryers).

(f) "Consortium" means the consortium for energy efficiency, a United States nonprofit public benefits corporation that promotes the manufacture and purchase of energy efficient products and services. The consortium's members include utilities, statewide and regional market transformation administrators, environmental groups, research organizations, and state energy offices in the United States and Canada.

(g) "Energy star" is an energy efficient product that meets the federal environmental protection agency's and federal department of energy's criteria for use of the energy star trademark label, or is in the upper twenty-five percent of efficiency for all similar products as designated by the federal energy management program. Energy star is a voluntary labeling program designed to identify and promote energy efficient products to reduce greenhouse gas emissions.

(h) "Steam cooker" means a device with one or more food steaming compartments, in which the energy in the steam is transferred to the food by direct contact. Models may include countertop models, wall-mounted models, and floor models mounted on a stand, pedestal, or cabinet-style base.

[2008 c 284 § 2.]

Gas Pumps - Power Outages

RCW 82.04.4491

(1) In computing the tax imposed under this chapter, a credit is allowed for the purchase of an alternative power generation device and labor and services for the installation of the device, by an eligible person. The credit is equal to the lesser of fifty percent of the cost of the alternative power generation device or twenty-five thousand dollars.

(2) The amount of the credit provided in subsection (1) of this section may not exceed the tax otherwise due under this chapter for the tax reporting period.

(3) The total amount of credits taken under this section in any biennium may not exceed seven hundred fifty thousand dollars.

(4) The definitions in this subsection apply throughout this section:

(a) "Alternative power generation device" means a device capable of providing electrical power for gasoline service station pumps during periods when regular electrical power is lost including, but not limited to, portable generators, standby generators, emergency generators, or other power generation devices. "Alternative power generation device" also includes wiring necessary to make the device capable of providing electrical power to the gasoline service station pumps.

(b) "Eligible person" means a person selling motor vehicle or special fuel from a gasoline service station, or other facility, with at least four fuel pumps.

(5) This section expires June 30, 2011.

[2008 c 223 § 1.]

Internet Newspaper Advertising

RCW 82.04.214

(1)(a) Until June 30, 2011, "newspaper" means:

(i) A publication issued regularly at stated intervals at least twice a month and printed on newsprint in tabloid or broadsheet format folded loosely together without stapling, glue, or any other binding of any kind, including any supplement of a printed newspaper; and

(ii) An electronic version of a printed newspaper that:

(A) Shares content with the printed newspaper; and

(B) Is prominently identified by the same name as the printed newspaper or otherwise conspicuously indicates that it is a complement to the printed newspaper.

(b) For purposes of this section, "supplement" means a printed publication, including a magazine or advertising section, that is:

(i) Labeled and identified as part of the printed newspaper; and

(ii) Circulated or distributed:

(A) As an insert or attachment to the printed newspaper; or

(B) Separate and apart from the printed newspaper so long as the distribution is within the general circulation area of the newspaper.

(2) Beginning July 1, 2011, "newspaper" means a publication issued regularly at stated intervals at least twice a month and printed on newsprint in tabloid or broadsheet format folded loosely together without stapling, glue, or any other binding of any kind, including any supplement of a printed newspaper as defined in subsection (1)(b) of this section.

[2008 c 273 § 1; 1994 c 22 § 1; 1993 sp.s. c 25 § 304.]

RCW 82.04.280(1)(a)

(1) Upon every person engaging within this state in the business of: (a) Printing materials other than newspapers, and of publishing periodicals or magazines; (b) building, repairing or improving any street, place, road, highway, easement, right-of-way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle which is owned by a municipal corporation or political subdivision of the state or by the United States and which is used or to be used, primarily for foot or vehicular traffic including mass transportation vehicles of any kind and including any readjustment, reconstruction or relocation of the facilities of any public, private or cooperatively owned utility or railroad in the course of such building, repairing or improving, the cost of which readjustment, reconstruction, or relocation, is the responsibility of the public authority whose street, place, road, highway, easement, right-of-way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle is being built, repaired or improved; (c) extracting for hire or processing for hire, except persons taxable as extractors for hire or processors for hire under another section of this chapter; (d) operating a cold storage warehouse or storage warehouse, but not including the rental of cold storage lockers; (e) representing and performing services for fire or casualty insurance companies as an independent resident managing general agent licensed under the provisions of chapter 48.17 RCW; (f) radio and television broadcasting, excluding network, national and regional advertising computed as a standard deduction based on the national average thereof as annually reported by the federal communications commission, or in lieu thereof by itemization by the individual broadcasting station, and excluding that portion of revenue represented by the out-of-state audience computed as a ratio to the station's total audience as measured by the 100 micro-volt signal strength and delivery by wire, if any; (g) engaging in activities which bring a person within the definition of consumer contained in RCW 82.04.190(6); as to such persons, the amount of tax on such business is equal to the gross income of the business multiplied by the rate of 0.484 percent.

(2) For the purposes of this section, the following definitions apply unless the context clearly requires otherwise.

(a) "Cold storage warehouse" means a storage warehouse used to store fresh and/or frozen perishable fruits or vegetables, meat, seafood, dairy products, or fowl, or any combination thereof, at a desired temperature to maintain the quality of the product for orderly marketing.

(b) "Storage warehouse" means a building or structure, or any part thereof, in which goods, wares, or merchandise are received for storage for compensation, except field warehouses, fruit warehouses, fruit packing plants, warehouses licensed under chapter 22.09 RCW, public garages storing automobiles, railroad freight sheds, docks and wharves, and "self-storage" or "mini storage" facilities whereby customers have direct access to individual storage areas by separate entrance.

"Storage warehouse" does not include a building or structure, or that part of such building or structure, in which an activity taxable under RCW 82.04.272 is conducted.

(c) "Periodical or magazine" means a printed publication, other than a newspaper, issued regularly at stated intervals at least once every three months, including any supplement or special edition of the publication.

[2010 c 106 § 205; 2009 c 461 § 2; 2006 c 300 § 6; 2004 c 24 § 6; 1998 c 343 § 3; 1994 c 112 § 1; 1993 sp.s. c 25 § 303; 1993 sp.s. c 25 § 106; 1986 c 226 § 2; 1983 c 132 § 1; 1975 1st ex.s. c 90 § 3; 1971 ex.s. c 299 § 5; 1971 ex.s. c 281 § 7; 1970 ex.s. c 8 § 2. Prior: 1969 ex.s. c 262 § 38; 1969 ex.s. c 255 § 5; 1967 ex.s. c 149 § 13; 1963 c 168 § 1; 1961 c 15 § 82.04.280; prior: 1959 ex.s. c 5 § 4; 1959 ex.s. c 3 § 4; 1955 c 389 § 48; prior: 1950 ex.s. c 5 § 1, part; 1949 c 228 § 1, part; 1943 c 156 § 1, part; 1941 c 178 § 1, part; 1939 c 228 § 1, part; 1937 c 227 § 1, part; 1935 c 180 § 4, part; Rem. Supp. 1949 § 8370-4, part.]

Anaerobic Digesters

RCW 84.36.635

(1) For the purposes of this section:

(a) "Alcohol fuel" means any alcohol made from a product other than petroleum or natural gas, which is used alone or in combination with gasoline or other petroleum products for use as a fuel for motor vehicles, farm implements, and machines or implements of husbandry.

(b) "Anaerobic digester" has the same meaning as provided in RCW 31 82.08.900.

(c) "Biodiesel feedstock" means oil that is produced from an agricultural crop for the sole purpose of ultimately producing biodiesel fuel.

(d) "Biodiesel fuel" means a mono alkyl ester of long chain fatty acids derived from vegetable oils or animal fats for use in compression-ignition engines and that meets the requirements of the American society of testing and materials specification D 6751 in effect as of January 1, 2003.

(2)(a) All buildings, machinery, equipment, and other personal property which are used primarily for the manufacturing of alcohol fuel, biodiesel fuel, biodiesel feedstock, or the operation of an anaerobic digester, the land upon which this property is located, and land that is reasonably necessary in the manufacturing of alcohol fuel, biodiesel fuel, biodiesel feedstock, or the operation of an anaerobic digester, but not land necessary for growing of crops, which together comprise a new manufacturing facility or an addition to an existing manufacturing facility, are exempt from property taxation for the six assessment years following the date on which the facility or the addition to the existing facility becomes operational.

(b) For manufacturing facilities which produce products in addition to alcohol fuel, biodiesel fuel, or biodiesel feedstock, the amount of the property tax exemption is based upon the annual percentage of the total value of all products manufactured that is the value of the alcohol fuel, biodiesel fuel, and biodiesel feedstock manufactured.

(3) Claims for exemptions authorized by this section must be filed with the county assessor on forms prescribed by the department of revenue and furnished by the assessor. Once filed, the exemption is valid for six years and may not be renewed. The assessor must verify and approve claims as the assessor determines to be justified and in accordance with this section. No claims may be filed after December 31, 2015, except for claims for anaerobic digesters, which may be filed no later than December 31, 2012.

The department of revenue may promulgate such rules, pursuant to chapter 34.05 RCW, as necessary to properly administer this section

[2010 sp.s. c 11 § 4; 2008 c 268 § 1; 2003 c 261 § 9.]

RCW 82.29A.135

(1) For the purposes of this section:

(a) "Alcohol fuel" means any alcohol made from a product other than petroleum or natural gas, which is used alone or in combination with gasoline or other petroleum products for use as a fuel for motor vehicles, farm implements, and machines or implements of husbandry.

(b) "Anaerobic digester" has the same meaning as provided in RCW 82.08.900.

(c) "Biodiesel feedstock" means oil that is produced from an agricultural crop for the sole purpose of ultimately producing biodiesel fuel.

(d) "Biodiesel fuel" means a mono alkyl ester of long chain fatty acids derived from vegetable oils or animal fats for use in compression-ignition engines and that meets the requirements of the American society of testing and materials specification D 6751 in effect as of January 1, 2003.

(e) "Wood biomass fuel" means a pyrolytic liquid fuel or synthesis gas-derived liquid fuel, used in internal combustion engines, and produced from wood, forest, or field residue, or dedicated energy crops that do not include wood pieces that have been treated with chemical preservatives such as creosote, pentachlorophenol, or copper-chroma-arsenic.

(2)(a) All leasehold interests in buildings, machinery, equipment, and other personal property which are used primarily for the manufacturing of alcohol fuel, wood biomass fuel, biodiesel fuel, biodiesel feedstock, or the operation of an anaerobic digester, the land upon which this property is located, and land that is reasonably necessary in the manufacturing of alcohol fuel, wood biomass fuel, biodiesel fuel, biodiesel feedstock, or the operation of an anaerobic digester, but not land necessary for growing of crops, which together comprise a new manufacturing facility or an addition to an existing manufacturing facility, are exempt from leasehold taxes for a period of six years from the date on which the facility or the addition to the existing facility becomes operational.

(b) For manufacturing facilities which produce products in addition to alcohol fuel, wood biomass fuel, biodiesel fuel, or biodiesel feedstock, the amount of the leasehold tax exemption is based upon the annual percentage of the total value of all products manufactured that is the value of the alcohol fuel, wood biomass fuel, biodiesel fuel, and biodiesel feedstock manufactured.

(3) Claims for exemptions authorized by this section must be filed with the department of revenue on forms prescribed by the department of revenue and furnished by the department of revenue. Once filed, the exemption is valid for six years and may not be renewed. The department of revenue must verify and approve claims as the department of revenue determines to be justified and in accordance with this section. No claims may be filed after December 31, 2015, except for claims for anaerobic digesters, which may be filed no later than December 31, 2012.

The department of revenue may promulgate such rules, pursuant to chapter 34.05 RCW, as are necessary to properly administer this section.

[2010 sp.s. c 11 § 6; 2008 c 268 § 2. Prior: 2003 c 339 § 10; 2003 c 261 § 10; 1985 c 371 § 3; 1980 c 157 § 2.]

Aluminum Smelter Digital Goods

RCW 82.08.805

(1) A person who has paid tax under RCW 82.08.020 for personal property used at an aluminum smelter, tangible personal property that will be incorporated as an ingredient or component of buildings or other structures at an aluminum smelter, or for labor and services rendered with respect to such buildings, structures, or personal property, is eligible for an exemption from the state share of the tax in the form of a credit, as provided in this section. A person claiming an exemption must pay the tax and may then take a credit equal to the state share of retail sales tax paid under RCW 82.08.020. The person must submit information, in a form and manner prescribed by the department, specifying the amount of qualifying purchases or acquisitions for which the exemption is claimed and the amount of exempted tax.

(2) For the purposes of this section, "aluminum smelter" has the same meaning as provided in RCW 82.04.217.

(3) A person claiming the tax preference provided in this section must file a complete annual report with the department under [2010 c 114 § 103].

(4) Credits may not be claimed under this section for taxable events occurring on or after January 1, 2017.

[2010 sp.s. c 2 § 3; 2010 c 114 § 122; 2009 c 535 § 513; 2006 c 182 § 3; 2004 c 24 § 10.]

RCW 82.12.805

(1) A person who is subject to tax under RCW 82.12.020 for personal property used at an aluminum smelter, or for tangible personal property that will be incorporated as an ingredient or component of buildings or other structures at an aluminum smelter, or for labor and services rendered with respect to such buildings, structures, or personal property, is eligible for an exemption from the state share of the tax in the form of a credit, as provided in this section. The amount of the credit equals the state share of use tax computed to be due under RCW 82.12.020. The person must submit information, in a form and manner prescribed by the department, specifying the amount of qualifying purchases or acquisitions for which the exemption is claimed and the amount of exempted tax.

(2) For the purposes of this section, "aluminum smelter" has the same meaning as provided in RCW 82.04.217.

(3) A person reporting under the tax rate provided in this section must file a complete annual report with the department under [2010 c 114 § 103].

(4) Credits may not be claimed under this section for taxable events occurring on or after January 1, 2017.

[2010 sp.s. c 2 § 4; 2010 c 114 § 122; 2009 c 535 § 620; 2006 c 182 § 4; 2004 c 24 § 11.]

