

1 AN ACT Relating to implementing recommendations related to the tax
2 preference review process conducted by the joint legislative audit and
3 review committee and the citizen commission for performance measurement
4 of tax preferences; amending RCW 48.14.020, 82.08.0262, 82.04.350,
5 82.08.0257, 82.04.280, 82.04.280, 84.36.840, 82.04.330, 82.04.410,
6 82.04.4282, 82.16.050, 48.36A.240, and 48.01.050; reenacting and
7 amending RCW 82.32.790; adding a new section to chapter 82.04 RCW;
8 creating new sections; repealing RCW 84.36.130 and 82.04.4289;
9 providing effective dates; providing a contingent effective date;
10 providing a contingent expiration date; and declaring an emergency.

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

12 **Part I**

13 **Premium Taxes--Sales of Airplanes, Locomotives,**
14 **Railroad Cars, and Watercraft--Racing--Auction Sales of Farming**
15 **Personal Property**

16 NEW SECTION. **Sec. 101.** The legislature finds that there is no
17 ascertainable reason for the exemption in RCW 48.14.020(3), which

1 relates to ocean marine and foreign trade insurance contracts, and
2 therefore repeals the exemption.

3 **Sec. 102.** RCW 48.14.020 and 2009 c 161 s 3 are each amended to
4 read as follows:

5 (1) Subject to other provisions of this chapter, each authorized
6 insurer except title insurers (~~shall~~) must on or before the first day
7 of March of each year pay to the state treasurer through the
8 commissioner's office a tax on premiums. Except as provided in
9 subsection (2) of this section, such tax (~~shall be~~) is in the amount
10 of two percent of all premiums, excluding amounts returned to or the
11 amount of reductions in premiums allowed to holders of industrial life
12 policies for payment of premiums directly to an office of the insurer,
13 collected or received by the insurer under RCW 48.14.090 during the
14 preceding calendar year (~~other than ocean marine and foreign trade~~
15 ~~insurances~~), after deducting premiums paid to policyholders as
16 returned premiums, upon risks or property resident, situated, or to be
17 performed in this state. For tax purposes, the reporting of premiums
18 (~~shall~~) must be on a written basis or on a paid-for basis consistent
19 with the basis required by the annual statement. For the purposes of
20 this section the consideration received by an insurer for the granting
21 of an annuity (~~shall~~) is not (~~be~~) deemed to be a premium.

22 (2) In the case of insurers which require the payment by their
23 policyholders at the inception of their policies of the entire premium
24 thereon in the form of premiums or premium deposits which are the same
25 in amount, based on the character of the risks, regardless of the
26 length of term for which such policies are written, such tax (~~shall~~
27 ~~be~~) is in the amount of two percent of the gross amount of such
28 premiums and premium deposits upon policies on risks resident, located,
29 or to be performed in this state, in force as of the thirty-first day
30 of December next preceding, less the unused or unabsorbed portion of
31 such premiums and premium deposits computed at the average rate thereof
32 actually paid or credited to policyholders or applied in part payment
33 of any renewal premiums or premium deposits on one-year policies
34 expiring during such year.

35 (~~Each authorized insurer shall with respect to all ocean~~
36 ~~marine and foreign trade insurance contracts written within this state~~
37 ~~during the preceding calendar year, on or before the first day of March~~

1 of each year pay to the state treasurer through the commissioner's
2 office a tax of ninety five one hundredths of one percent on its gross
3 underwriting profit. Such gross underwriting profit shall be
4 ascertained by deducting from the net premiums (i.e., gross premiums
5 less all return premiums and premiums for reinsurance) on such ocean
6 marine and foreign trade insurance contracts the net losses paid (i.e.,
7 gross losses paid less salvage and recoveries on reinsurance ceded)
8 during such calendar year under such contracts. In the case of
9 insurers issuing participating contracts, such gross underwriting
10 profit shall not include, for computation of the tax prescribed by this
11 subsection, the amounts refunded, or paid as participation dividends,
12 by such insurers to the holders of such contracts.

13 (4)) The state does hereby preempt the field of imposing excise or
14 privilege taxes upon insurers or their appointed insurance producers,
15 other than title insurers, and no county, city, town or other municipal
16 subdivision ((shall have)) has the right to impose any such taxes upon
17 such insurers or these insurance producers.

18 ((+5)) (4) If an authorized insurer collects or receives any such
19 premiums on account of policies in force in this state which were
20 originally issued by another insurer and which other insurer is not
21 authorized to transact insurance in this state on its own account, such
22 collecting insurer ((shall be)) is liable for and ((shall)) must pay
23 the tax on such premiums.

24 **Sec. 103.** RCW 82.08.0262 and 2009 c 503 s 1 are each amended to
25 read as follows:

26 (1) The tax levied by RCW 82.08.020 does not apply to:

27 (a) Sales of airplanes (i) to the United States government; (ii)
28 ((for use)) used primarily in conducting interstate or foreign
29 commerce; or (iii) ((for use)) used primarily in providing intrastate
30 air transportation by a commuter air carrier;

31 (b) Sales of locomotives, railroad cars, or watercraft ((for use))
32 used primarily in conducting interstate or foreign commerce by
33 transporting therein or therewith property and persons for hire or for
34 use in conducting commercial deep sea fishing operations outside the
35 territorial waters of the state;

36 (c) Sales of tangible personal property that becomes a component
37 part of such airplanes, locomotives, railroad cars, or watercraft, and

1 of motor vehicles or trailers whether owned by or leased with or
2 without drivers and used by the holder of a carrier permit issued by
3 the interstate commerce commission or its successor agency authorizing
4 transportation by motor vehicle across the boundaries of this state, in
5 the course of constructing, repairing, cleaning, altering, or improving
6 the same; and

7 (d) Sales of or charges made for labor and services rendered in
8 respect to such constructing, repairing, cleaning, altering, or
9 improving.

10 (2) The term "commuter air carrier" means an air carrier holding
11 authority under Title 14, Part 298 of the code of federal regulations
12 that carries passengers on at least five round trips per week on at
13 least one route between two or more points according to its published
14 flight schedules that specify the times, days of the week, and places
15 between which those flights are performed.

16 **Sec. 104.** RCW 82.04.350 and 2005 c 369 s 7 are each amended to
17 read as follows:

18 Except as provided in RCW 82.04.286(1), this chapter (~~(shall)~~) does
19 not apply to any person in respect to the (~~(business of conducting race~~
20 ~~meets for the conduct of which a license must be secured from the horse~~
21 ~~racing commission)~~) amounts derived from parimutuel wagering.

22 **Sec. 105.** RCW 82.08.0257 and 2009 c 535 s 511 are each amended to
23 read as follows:

24 (1) The tax levied by RCW 82.08.020 does not apply to auction sales
25 made by or through auctioneers of personal property (including
26 household goods) that has been used in conducting a farm activity, when
27 the seller thereof is a farmer and the sale is held or conducted upon
28 a farm and not otherwise.

29 (2) Sellers making tax exempt sales under this section must submit
30 to the department of revenue annually a summary of all goods sold at a
31 qualifying sale. The department must provide a form or format for
32 sellers to use in making this report.

33 **Part II**
34 **Radio and TV Broadcasting**

1 **Sec. 201.** RCW 82.04.280 and 2010 c 106 s 205 are each amended to
2 read as follows:

3 (1) Upon every person engaging within this state in the business
4 of: (a) Printing materials other than newspapers, and of publishing
5 periodicals or magazines; (b) building, repairing or improving any
6 street, place, road, highway, easement, right-of-way, mass public
7 transportation terminal or parking facility, bridge, tunnel, or trestle
8 which is owned by a municipal corporation or political subdivision of
9 the state or by the United States and which is used or to be used,
10 primarily for foot or vehicular traffic including mass transportation
11 vehicles of any kind and including any readjustment, reconstruction or
12 relocation of the facilities of any public, private or cooperatively
13 owned utility or railroad in the course of such building, repairing or
14 improving, the cost of which readjustment, reconstruction, or
15 relocation, is the responsibility of the public authority whose street,
16 place, road, highway, easement, right-of-way, mass public
17 transportation terminal or parking facility, bridge, tunnel, or trestle
18 is being built, repaired or improved; (c) extracting for hire or
19 processing for hire, except persons taxable as extractors for hire or
20 processors for hire under another section of this chapter; (d)
21 operating a cold storage warehouse or storage warehouse, but not
22 including the rental of cold storage lockers; (e) representing and
23 performing services for fire or casualty insurance companies as an
24 independent resident managing general agent (~~licensed under the~~
25 ~~provisions of chapter 48.17 RCW~~); (f) radio and television
26 broadcasting, excluding network, national and regional advertising
27 computed as a standard deduction (~~based on the national average~~
28 ~~thereof as annually reported by the federal communications~~
29 ~~commission~~), which the department must publish by rule every fifth
30 year by September 30th, or in lieu thereof by itemization by the
31 individual broadcasting station, and excluding that portion of revenue
32 represented by the out-of-state audience computed as a ratio to the
33 station's total audience as measured by the 100 micro-volt signal
34 strength and delivery by wire, if any; (g) engaging in activities which
35 bring a person within the definition of consumer contained in RCW
36 82.04.190(6); as to such persons, the amount of tax on such business is
37 equal to the gross income of the business multiplied by the rate of
38 0.484 percent.

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

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

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

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

22 **Sec. 202.** RCW 82.04.280 and 2010 c 106 s 206 are each amended to
23 read as follows:

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

1 transportation terminal or parking facility, bridge, tunnel, or trestle
2 is being built, repaired or improved; (c) extracting for hire or
3 processing for hire, except persons taxable as extractors for hire or
4 processors for hire under another section of this chapter; (d)
5 operating a cold storage warehouse or storage warehouse, but not
6 including the rental of cold storage lockers; (e) representing and
7 performing services for fire or casualty insurance companies as an
8 independent resident managing general agent (~~licensed under the~~
9 ~~provisions of chapter 48.17 RCW~~); (f) radio and television
10 broadcasting, excluding network, national and regional advertising
11 computed as a standard deduction (~~based on the national average~~
12 ~~thereof as annually reported by the federal communications~~
13 ~~commission~~), which the department must publish by rule every fifth
14 year by September 30th, or in lieu thereof by itemization by the
15 individual broadcasting station, and excluding that portion of revenue
16 represented by the out-of-state audience computed as a ratio to the
17 station's total audience as measured by the 100 micro-volt signal
18 strength and delivery by wire, if any; (g) engaging in activities which
19 bring a person within the definition of consumer contained in RCW
20 82.04.190(6); as to such persons, the amount of tax on such business is
21 equal to the gross income of the business multiplied by the rate of
22 0.484 percent.

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

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

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

1 part of such building or structure, in which an activity taxable under
2 RCW 82.04.272 is conducted.

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

7 NEW SECTION. **Sec. 203.** A new section is added to chapter 82.04
8 RCW to read as follows:

9 For the standard deduction in RCW 82.04.280(1)(f), the department
10 must study radio and television broadcasting, excluding network,
11 national and regional advertising to establish the standard deduction
12 computed as a ratio of the network, national and regional advertising
13 revenue to the total advertising revenue of the radio or television
14 station expressed as a percentage. The department must complete the
15 study using the best available information. This study must be
16 completed by August 1, 2013, and the standard deduction must be
17 published by rule by December 1, 2013. The study must be repeated
18 every fifth year thereafter by March 30th and the rule must be
19 published every fifth year by September 30th.

20 **Part III**
21 **Nonprofit Property Tax Exemptions**

22 NEW SECTION. **Sec. 301.** (1) The legislature recognizes the rich
23 and diverse traditions represented by Washington's nonprofit homes for
24 the sick or infirm and nonprofit hospitals for the sick and the value
25 they provide to the residents and communities they serve as well as the
26 employees who provide loving compassionate care.

27 (2) The legislature finds requiring uniform and public reporting of
28 community benefit is one way these facilities can continue to
29 demonstrate the value provided in a manner consistent with the values
30 of transparency and public accountability. Further, the legislature
31 finds that Washington should adopt national standards for reporting of
32 community benefits for nonprofit hospitals and nonprofit homes for the
33 sick or infirm.

1 **Sec. 302.** RCW 84.36.840 and 2007 c 111 s 305 are each amended to
2 read as follows:

3 (1) In order to determine whether organizations, associations,
4 corporations, or institutions, except those exempted under RCW
5 84.36.020 and 84.36.030, are exempt from property taxes, and before the
6 exemption (~~shall be~~) is allowed for any year, the superintendent or
7 manager or other proper officer of the organization, association,
8 corporation, or institution claiming exemption from taxation (~~shall~~)
9 must file with the department of revenue a statement certifying that
10 the income and the receipts thereof, including donations to it, have
11 been applied to the actual expenses of operating and maintaining it, or
12 for its capital expenditures, and to no other purpose. This report
13 (~~shall~~) must also include a statement of the receipts and
14 disbursements of the exempt organization, association, corporation, or
15 institution.

16 (2) Educational institutions claiming exemption under RCW 84.36.050
17 (~~shall~~) must also file a list of all property claimed to be exempt,
18 the purpose for which it is used, the revenue derived from it for the
19 preceding year, the use to which the revenue was applied, the number of
20 students who attended the school or college, the total revenues of the
21 institution with the source from which they were derived, and the
22 purposes to which the revenues were applied, listing the items of such
23 revenues and expenditures in detail.

24 (3) Nonprofit homes for the sick or infirm and nonprofit hospitals
25 for the sick claiming exemptions under RCW 84.36.040(1) (d) and (e)
26 must also file on an annual basis no later than June 30th of each year,
27 with the department of revenue a community benefit report for the
28 preceding year. Community benefits include, but are not limited to:
29 Community health improvement services; health professions education;
30 subsidized health services; research; financial and in-kind
31 contributions; community-building activities; community benefit
32 operations; and charity care, including unreimbursed costs of indigent
33 government sponsored programs and medicaid shortfall. Nonprofit
34 hospitals for the sick must file a copy of the federal income tax form
35 990 "Schedule H" with the department to report data on community
36 benefits, including charity care. Nonprofit homes for the sick or
37 infirm must file a report on community benefits, including charity
38 care, on a standardized form developed by the department. The

1 standardized form must provide the same or similar relevant data as
2 required for the federal income tax form 990 "Schedule H" to report
3 data on community benefits, including charity care. Reports filed
4 under this subsection must be submitted electronically to the
5 department by June 30, 2014, for community benefits provided during
6 calendar year 2013, and by June 30th in each subsequent year
7 thereafter. The department must provide electronic notice of the
8 filing due date by May 31st of each year. The department may waive the
9 requirement to file reports electronically for good cause shown. If
10 the report is not received by the filing deadline, the exemption must
11 be removed. However, the department must allow a reasonable extension
12 of time for filing upon receipt of a written request on or before the
13 required filing date and for good cause shown therein.

14 (4) The reports required under subsections (1) and (2) of this
15 section may be submitted electronically, in a format provided or
16 approved by the department, or mailed to the department. The reports
17 (~~shall~~) must be submitted on or before March 31st of each year. The
18 department (~~shall~~) must remove the tax exemption from the property of
19 any organization, association, corporation, or institution that does
20 not file the required report with the department on or before the due
21 date. However, the department (~~shall~~) must allow a reasonable
22 extension of time for filing upon receipt of a written request on or
23 before the required filing date and for good cause shown therein.

24 **Part IV**

25 **Income Limit for Business and Occupation**

26 **Tax Exemptions for Agricultural Products**

27 **Sec. 401.** RCW 82.04.330 and 2001 c 118 s 3 are each amended to
28 read as follows:

29 This chapter (~~shall~~) does not apply to amounts under five hundred
30 thousand dollars derived by any farmer that sells any agricultural
31 product at wholesale or to any farmer who grows, raises, or produces
32 agricultural products owned by others, such as custom feed operations.
33 This exemption (~~shall~~) does not apply to any person selling such
34 products at retail or to any person selling manufactured substances or
35 articles.

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

5 **Sec. 402.** RCW 82.04.410 and 1967 ex.s. c 149 s 15 are each amended
6 to read as follows:

7 This chapter (~~shall~~) does not apply to amounts under five hundred
8 thousand dollars derived by persons engaged in the production and sale
9 of hatching eggs or poultry for use in the production for sale of
10 poultry or poultry products.

11 Part V

12 Review of Public Utility Tax on Interstate Transportation

13 NEW SECTION. **Sec. 501.** The department of revenue, in conjunction
14 with the office of financial management and other agencies as
15 necessary, must conduct an economic impact study of the effects of
16 imposing the public utility tax on the in-state portion of the
17 transportation activities that are considered exempt under RCW
18 82.16.050 (6), (8), and (9). By December 1, 2013, and in compliance
19 with RCW 43.01.036, the department of revenue must submit a report to
20 the appropriate fiscal committees of the legislature that details the
21 department's finding under this section.

22 Part VI

23 Membership Dues and Fees

24 **Sec. 601.** RCW 82.04.4282 and 2009 c 535 s 410 are each amended to
25 read as follows:

26 In computing tax there may be deducted from the measure of tax
27 amounts derived from bona fide (1) dues and initiation fees paid to
28 nonprofit organizations exempt from the federal income tax under Title
29 26 U.S.C. Sec. 501(c)(3), (c)(4), (c)(5), (c)(6), (c)(8), (c)(10), or
30 (c)(19) of the federal internal revenue code, as amended as of January
31 1, 2013, (2) (~~dues, (3)~~) contributions, (~~(4)~~) (3) donations,
32 (~~(5)~~) (4) tuition fees, (~~(6)~~) (5) charges made by a nonprofit trade
33 or professional organization for attending or occupying space at a

1 trade show, convention, or educational seminar sponsored by the
2 nonprofit trade or professional organization, which trade show,
3 convention, or educational seminar is not open to the general public,
4 ~~((+7))~~ (6) charges made for operation of privately operated
5 kindergartens, and ~~((+8))~~ (7) endowment funds. This section may not
6 be construed to exempt any person, association, or society from tax
7 liability upon selling tangible personal property, digital goods,
8 digital codes, or digital automated services, or upon providing
9 facilities or other services for which a special charge is made to
10 members or others. If dues are in exchange for any significant amount
11 of goods or services rendered by the recipient thereof to members
12 without any additional charge to the member, or if the dues are
13 graduated upon the amount of goods or services rendered, the value of
14 such goods or services ~~((shall))~~ is not ~~((be))~~ considered as a
15 deduction under this section.

16 Part VII

17 Public Utility Tax Deduction for Irrigation

18 **Sec. 701.** RCW 82.16.050 and 2007 c 330 s 1 are each amended to
19 read as follows:

20 In computing tax there may be deducted from the gross income the
21 following items:

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

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

33 (3) Amounts actually paid by a taxpayer to another person taxable
34 under this chapter as the latter's portion of the consideration due for
35 services furnished jointly by both, if the total amount has been

1 credited to and appears in the gross income reported for tax by the
2 former;

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

5 (5) The amount of bad debts, as that term is used in 26 U.S.C. Sec.
6 166, as amended or renumbered as of January 1, 2003, on which tax was
7 previously paid under this chapter;

8 (6) Amounts derived from business which the state is prohibited
9 from taxing under the Constitution of this state or the Constitution or
10 laws of the United States;

11 (7) Amounts derived from the distribution of water through an
12 irrigation system, for (~~irrigation purposes~~) the purpose of producing
13 agricultural products for sale;

14 (8) Amounts derived from the transportation of commodities from
15 points of origin in this state to final destination outside this state,
16 or from points of origin outside this state to final destination in
17 this state, with respect to which the carrier grants to the shipper the
18 privilege of stopping the shipment in transit at some point in this
19 state for the purpose of storing, manufacturing, milling, or other
20 processing, and thereafter forwards the same commodity, or its
21 equivalent, in the same or converted form, under a through freight rate
22 from point of origin to final destination;

23 (9) Amounts derived from the transportation of commodities from
24 points of origin in the state to an export elevator, wharf, dock or
25 ship side on tidewater or its navigable tributaries to be forwarded,
26 without intervening transportation, by vessel, in their original form,
27 to interstate or foreign destinations. No deduction is allowed under
28 this subsection when the point of origin and the point of delivery to
29 the export elevator, wharf, dock, or ship side are located within the
30 corporate limits of the same city or town;

31 (10) Amounts derived from the transportation of agricultural
32 commodities, not including manufactured substances or articles, from
33 points of origin in the state to interim storage facilities in this
34 state for transshipment, without intervening transportation, to an
35 export elevator, wharf, dock, or ship side on tidewater or its
36 navigable tributaries to be forwarded, without intervening
37 transportation, by vessel, in their original form, to interstate or
38 foreign destinations. If agricultural commodities are transshipped

1 from interim storage facilities in this state to storage facilities at
2 a port on tidewater or its navigable tributaries, the same agricultural
3 commodity dealer must operate both the interim storage facilities and
4 the storage facilities at the port.

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

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

14 (ii) Any of the agricultural commodity that is transshipped to
15 ports on tidewater or its navigable tributaries will be received at
16 storage facilities operated by the same agricultural commodity dealer
17 and will be shipped from such facilities, without intervening
18 transportation, by vessel, in their original form, to interstate or
19 foreign destinations.

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

22 (11) Amounts derived from the production, sale, or transfer of
23 electrical energy for resale within or outside the state or for
24 consumption outside the state;

25 (12) Amounts derived from the distribution of water by a nonprofit
26 water association and used for capital improvements by that nonprofit
27 water association;

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

31 (14) Amounts derived from fees or charges imposed on persons for
32 transit services provided by a public transportation agency. For the
33 purposes of this subsection, "public transportation agency" means a
34 municipality, as defined in RCW 35.58.272, and urban public
35 transportation systems, as defined in RCW 47.04.082. Public
36 transportation agencies (~~shall~~) must spend an amount equal to the
37 reduction in tax provided by this tax deduction solely to adjust routes

1 to improve access for citizens using food banks and senior citizen
2 services or to extend or add new routes to assist low-income citizens
3 and seniors.

4 **Part VIII**

5 **Fraternal Benefit Societies**

6 **Sec. 801.** RCW 48.36A.240 and 1987 c 366 s 24 are each amended to
7 read as follows:

8 Every society organized or licensed under this chapter that is
9 organized as a nonprofit organization, corporation, or association and
10 serves low-income communities is hereby declared to be a charitable and
11 benevolent institution, and all of its funds (~~shall be~~) is exempt
12 from all and every state, county, district, municipal, and school tax,
13 other than taxes on real estate and office equipment.

14 **Sec. 802.** RCW 48.01.050 and 2009 c 314 s 19 are each amended to
15 read as follows:

16 "Insurer" as used in this code includes every person engaged in the
17 business of making contracts of insurance, other than a fraternal
18 benefit society that is organized as a nonprofit organization,
19 corporation, or association and services low-income communities. A
20 reciprocal or interinsurance exchange is an "insurer" as used in this
21 code. Two or more hospitals that join and organize as a mutual
22 corporation pursuant to chapter 24.06 RCW for the purpose of insuring
23 or self-insuring against liability claims, including medical liability,
24 through a contributing trust fund are not an "insurer" under this code.
25 Two or more local governmental entities, under any provision of law,
26 that join together and organize to form an organization for the purpose
27 of jointly self-insuring or self-funding are not an "insurer" under
28 this code. Two or more affordable housing entities that join together
29 and organize to form an organization for the purpose of jointly self-
30 insuring or self-funding under chapter 48.64 RCW are not an "insurer"
31 under this code. Two or more persons engaged in the business of
32 commercial fishing who enter into an arrangement with other such
33 persons for the pooling of funds to pay claims or losses arising out of
34 loss or damage to a vessel or machinery used in the business of

1 commercial fishing and owned by a member of the pool are not an
2 "insurer" under this code.

3 **Part IX**

4 **Tax Exemption Repeals**

5 NEW SECTION. **Sec. 901.** The following acts or parts of acts are
6 each repealed:

7 (1) RCW 84.36.130 (Airport property in this state for smaller
8 airports belonging to municipalities of adjoining states) and 1998 c
9 201 s 1 1961 c 15 s 84.36.130; and

10 (2) RCW 82.04.4289 (Exemption--Compensation for patient services or
11 attendant sales of drugs dispensed pursuant to prescription by certain
12 nonprofit organizations) and 2003 c 168 s 402, 1998 c 325 s 1, 1993 c
13 492 s 305, 1981 c 178 s 2, & 1980 c 37 s 10.

14 **Part X**

15 **Miscellaneous Provisions**

16 **Sec. 1001.** RCW 82.32.790 and 2010 c 114 s 201 and 2010 c 106 s 401
17 are each reenacted and amended to read as follows:

18 (1)(a) Section 202, chapter . . . , Laws of 2013 (section 202 of
19 this act), section 206, chapter 106, Laws of 2010, sections 104, 110,
20 117, 123, 125, 129, 131, and 150, chapter 114, Laws of 2010, section 3,
21 chapter 461, Laws of 2009, section 7, chapter 300, Laws of 2006, and
22 section 4, chapter 149, Laws of 2003 are contingent upon the siting and
23 commercial operation of a significant semiconductor microchip
24 fabrication facility in the state of Washington.

25 (b) For the purposes of this section:

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

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

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

33 (2) Chapter 149, Laws of 2003 takes effect the first day of the

1 month in which a contract for the construction of a significant
2 semiconductor fabrication facility is signed, as determined by the
3 director of the department of revenue.

4 (3)(a) The department of revenue must provide notice of the
5 effective date of sections 104, 110, 117, 123, 125, 129, 131, and 150,
6 chapter 114, Laws of 2010(~~(+)~~), section 3, chapter 461, Laws of 2009,
7 section 7, chapter 300, Laws of 2006, and section 4, chapter 149, Laws
8 of 2003 to affected taxpayers, the legislature, and others as deemed
9 appropriate by the department.

10 (b) If, after making a determination that a contract has been
11 signed and chapter 149, Laws of 2003 is effective, the department
12 discovers that commencement of commercial production did not take place
13 within three years of the date the contract was signed, the department
14 must make a determination that chapter 149, Laws of 2003 is no longer
15 effective, and all taxes that would have been otherwise due are deemed
16 deferred taxes and are immediately assessed and payable from any person
17 reporting tax under RCW 82.04.240(2) or claiming an exemption or credit
18 under section 2 or 5 through 10, chapter 149, Laws of 2003. The
19 department is not authorized to make a second determination regarding
20 the effective date of chapter 149, Laws of 2003.

21 NEW SECTION. **Sec. 1002.** Section 201 of this act expires on the
22 date that section 202 of this act takes effect.

23 NEW SECTION. **Sec. 1003.** Section 202 of this act takes effect if
24 the contingency in section 1001 of this act occurs.

25 NEW SECTION. **Sec. 1004.** Section 203 of this act is necessary for
26 the immediate preservation of the public peace, health, or safety, or
27 support of the state government and its existing public institutions,
28 and takes effect July 1, 2013.

29 NEW SECTION. **Sec. 1005.** Except for sections 202 and 203 of this
30 act, this act takes effect January 1, 2015.

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