

## CHAPTER 28.

[ S. B. 54. ]

## REVENUE AND TAXATION.

AN Act relating to revenue and taxation; amending section 82.04.030, chapter 15, Laws of 1961 and RCW 82.04.030; amending section 82.04.290, chapter 15, Laws of 1961 and RCW 82.04.290; amending section 82.08.030, chapter 15, Laws of 1961, as amended by section 7, chapter 293, Laws of 1961, and RCW 82.08.030; amending section 82.12.030, chapter 15, Laws of 1961, as amended by section 10, chapter 293, Laws of 1961, and RCW 82.12.030; amending section 82.32.080, chapter 15, Laws of 1961 and RCW 82.32.080; amending section 82.32.090, chapter 15, Laws of 1961 and RCW 82.32.090; amending section 82.32.160, chapter 15, Laws of 1961 and RCW 82.32.160; amending section 82.32.180, chapter 15, Laws of 1961 and RCW 82.32.180; amending section 82.32.330, chapter 15, Laws of 1961 and RCW 82.32.330; adding a new section to chapter 15, Laws of 1961 and to chapter 82.26 RCW; adding a new section to chapter 15, Laws of 1961 and to chapter 82.32 RCW; amending section 83.40.040, chapter 15, Laws of 1961 and RCW 83.40.040; amending section 3, chapter 168, Laws of 1961 and RCW 84.36.171; and adding new sections to chapter 84.36 RCW; and providing an effective date.

*Be it enacted by the Legislature of the State of Washington:*

SECTION 1. Section 82.04.030, chapter 15, Laws of 1961, and RCW 82.04.030 are each amended to read as follows:

RCW 82.04.030 amended.

"Person" or "company," herein used interchangeably, means any individual, receiver, administrator, executor, assignee, trustee in bankruptcy, trust, estate, firm, copartnership, joint venture, club, company, joint stock company, business trust, municipal corporation, political subdivision of the state of Washington, corporation, association, society, or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit, or otherwise and the United States or any instrumentality thereof.

B&O tax.  
"Person,"  
"Company,"  
defined.

SEC. 2. Section 82.04.290, chapter 15, Laws of 1961 and RCW 82.04.290 are each amended to read as follows:

RCW 82.04.290 amended.

B&O tax. Tax on other business or service activities.

Upon every person engaging within this state in any business activity other than or in addition to those enumerated in RCW 82.04.230, 82.04.240, 82.04.250, 82.04.260, 82.04.270, 82.04.275 and 82.04.280; as to such persons the amount of tax on account of such activities shall be equal to the gross income of the business multiplied by the rate of one percent. This section includes, among others, and without limiting the scope hereof (whether or not title to materials used in the performance of such business passes to another by accession, confusion or other than by outright sale), persons engaged in the business of rendering any type of service which does not constitute a "sale at retail" or a "sale at wholesale." The value of advertising, demonstration, and promotional supplies and materials furnished to an agent by his principal or supplier to be used for informational, educational and promotional purposes shall not be considered a part of the agent's remuneration or commission and shall not be subject to taxation under this section. The additional tax imposed in RCW 82.04.296 shall not apply to persons or activities taxable under this section.

RCW 82.08.030 amended.

SEC. 3. Section 82.08.030, chapter 15, Laws of 1961, as amended by section 7, chapter 293, Laws of 1961, and RCW 82.08.030 are each amended to read as follows:

Retail sales tax. Exemptions.

The tax hereby levied shall not apply to the following sales:

(1) Casual and isolated sales of property or service, unless made by a person who is engaged in a business activity taxable under chapters 82.04, 82.16 or 82.28: *Provided*, That the exemption provided by this paragraph shall not be construed as providing any exemption from the tax imposed by chapter 82.12;

(2) Sales made by persons in the course of business activities with respect to which tax liability is specifically imposed under chapter 82.16, when the gross proceeds from such sales must be included in the measure of the tax imposed under said chapter;

(3) The distribution and newsstand sale of newspapers;

(4) Sales which the state is prohibited from taxing under the Constitution of this state or the Constitution or laws of the United States;

(5) Sales of motor vehicle fuel used in aircraft by the manufacturer thereof for research, development, and testing purposes and sales of motor vehicle fuel taxable under chapter 82.36: *Provided*, Proviso. That the use of any such fuel upon which a refund of the motor vehicle fuel tax has been obtained shall be subject to the tax imposed by chapter 82.12;

(6) Sales (including transfers of title through decree of appropriation) heretofore or hereafter made of the entire operating property of a publicly or privately owned public utility, or of a complete operating integral section thereof, to the state or a political subdivision thereof for use in conducting any business defined in subdivisions (1), (2), (3), (4), (5), (6), (7), (8), (9), (10) or (11) of RCW 82.16.010;

(7) Auction sales made by or through auctioneers of tangible personal property (including household goods) which have been used in conducting a farm activity, when the seller thereof is a farmer and the sale is held or conducted upon a farm and not otherwise;

(8) Sales to corporations which have been incorporated under any act of the congress of the United States and whose principal purposes are to furnish volunteer aid to members of armed forces

Retail sales  
tax.  
Exemptions.

of the United States and also to carry on a system of national and international relief and to apply the same in mitigating the sufferings caused by pestilence, famine, fire, floods, and other national calamities and to devise and carry on measures for preventing the same;

(9) Sales of purebred livestock for breeding purposes where the animals are registered in a nationally recognized breed association; sales of cattle and milk cows used on the farm;

(10) Sales of tangible personal property (other than the type referred to in subdivision (11) hereof) for use by the purchaser in connection with the business of operating as a private or common carrier by air, rail, or water in interstate or foreign commerce: *Provided*, That any actual use of such property in this state shall, at the time of such actual use, be subject to the tax imposed by chapter 82.12;

Proviso.

(11) Sales of airplanes, locomotives, railroad cars, or watercraft for use in conducting interstate or foreign commerce by transporting therein or therewith property and persons for hire or for use in conducting commercial deep sea fishing operations outside the territorial waters of the state; also sales of tangible personal property which becomes a component part of such airplanes, locomotives, railroad cars, or watercraft, and of motor vehicles or trailers used by the holder of a carrier permit issued by the Interstate Commerce Commission authorizing transportation by motor vehicle across the boundaries of this state, in the course of constructing, repairing, cleaning, altering, or improving the same; also sales of or charges made for labor and services rendered in respect to such constructing, repairing, cleaning, altering, or improving;

(12) Sales of motor vehicles and trailers to be used for the purpose of transporting therein persons or property for hire in interstate or foreign

commerce: *Provided*, That the purchaser must be the holder of a carrier permit issued by the Interstate Commerce Commission and that the vehicles will first move upon the highways of this state from the point of delivery in this state to a point outside of this state under the authority of a one-transit permit issued by the director of licenses pursuant to the provisions of RCW 46.16.100; Proviso.

(13) Sales of motor vehicles and trailers to non-residents of this state for use outside of this state, even though delivery be made within this state, but only when (a) the vehicles or trailers will be taken from the point of delivery in this state directly to a point outside this state under the authority of a one-transit permit issued by the director of licenses pursuant to the provisions of RCW 46.16.100, or (b) said motor vehicles and trailers will be registered and licensed immediately under the laws of the state of the purchaser's residence, will not be used in this state more than three months, and will not be required to be registered and licensed under the laws of this state.

(14) Sales to nonresidents of this state for use outside of this state of tangible personal property which becomes a component part of any machinery or other article of personal property belonging to such nonresident, in the course of installing, repairing, cleaning, altering, or improving the same and also sales of or charges made for labor and services rendered in respect to any installing, repairing, cleaning, altering, or improving, of personal property of or for a nonresident, but this subsection (14) shall apply only when the seller agrees to, and does, deliver the property to the purchaser at a point outside this state, or delivers the property to a common or bona fide private carrier consigned to the purchaser at a point outside this state;

(15) Sales to nonresidents of this state for use

Retail sales  
tax.  
Exemptions.

outside of this state of watercraft requiring coast guard registration or registration by the state of principal use according to the Federal Boating Act of 1958, even though delivery be made within this state, but only when (a) the watercraft will not be used within this state for more than forty-five days and (b) an appropriate exemption certificate supported by identification ascertaining residence as provided by the tax commission and signed by the purchaser or his agent establishing the fact that the purchaser is a nonresident and that the watercraft is for use outside of this state, one copy to be filed with the tax commission with the regular report and a duplicate to be retained by the dealer.

(16) Sales of poultry for use in the production for sale of poultry or poultry products.

(17) Sales to nonresidents of this state for use outside of this state of machinery and implements for use in conducting a farming activity, when such machinery and implements will be transported immediately outside the state. As proof of exemption, an affidavit or certification in such form as the tax commission shall require shall be made for each such sale, to be retained as a business record of the seller.

(18) 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.

(19) Sales to municipal corporations, the state, and all political subdivisions thereof of tangible per-

sonal 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.

SEC. 4. Section 82.12.030, chapter 15, Laws of 1961, as amended by section 10, chapter 293, Laws of 1961, and RCW 82.12.030 are each amended to read as follows:

RCW 82.12.030  
amended.

The provisions of this chapter shall not apply:

Use tax.  
Exemptions.

(1) In respect to the use of any article of tangible personal property brought into the state by a non-resident thereof for his use or enjoyment while temporarily within the state unless such property is used in conducting a nontransitory business activity within the state; or in respect to the use by a nonresident of this state of a motor vehicle which is registered or licensed under the laws of the state of his residence and is not used in this state more than three months, and which is not required to be registered or licensed under the laws of this state; or in respect to the use of household goods, personal effects and private automobiles by a bona fide resident of this state, if such articles were acquired and used by such person in another state while a bona fide resident thereof and such acquisition and use occurred more than thirty days prior to the time he entered this state;

(2) In respect to the use of any article of tangible personal property purchased at retail or acquired by lease, gift or bailment if the sale thereof to, or the use thereof by, the present user or his bailor or donor has already been subjected to the tax

Use tax.  
Exemptions

under chapter 82.08 or 82.12 and such tax has been paid by the present user or by his bailor or donor;

(3) In respect to the use of any article of tangible personal property the sale of which is specifically taxable under chapter 82.16;

(4) In respect to the use of any airplane, locomotive, railroad car, or watercraft used primarily in conducting interstate or foreign commerce by transporting therein or therewith property and persons for hire or used primarily in commercial deep sea fishing operations outside the territorial waters of the state, and in respect to use of tangible personal property which becomes a component part of any such airplane, locomotive, railroad car, or watercraft, and in respect to the use by the holder of a carrier permit issued by the Interstate Commerce Commission of any motor vehicle or trailer used primarily for transporting therein persons or property for hire across the boundaries of this state if the first use of which within this state is actual use in conducting interstate or foreign commerce; and in respect to the use of any motor vehicle or trailer while being operated under the authority of a one-transit permit issued by the director of licenses pursuant to RCW 46.16.100 and moving upon the highways from the point of delivery in this state to a point outside this state; and in respect to the use of tangible personal property which becomes a component part of any motor vehicle or trailer used by the holder of a carrier permit issued by the Interstate Commerce Commission authorizing transportation by motor vehicle across the boundaries of this state;

(5) In respect to the use of any article of tangible personal property which the state is prohibited from taxing under the Constitution of the state or under the Constitution or laws of the United States;

(6) In respect to the use of motor vehicle fuel used in aircraft by the manufacturer thereof for re-

search, development, and testing purposes and motor vehicle fuel taxable under chapter 82.36: *Provided*, That the use of such fuel upon which a refund of the motor vehicle fuel tax is obtained shall not be exempt, and the director of licenses shall deduct from the amount of such tax to be refunded the amount of tax due under this chapter and remit the same each month to the tax commission; Proviso.

(7) In respect to the use of any article of tangible personal property included within the transfer of the title to the entire operating property of a publicly or privately owned public utility, or of a complete operating integral section thereof, by the state or a political subdivision thereof in conducting any business defined in subdivisions (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), or (11) of RCW 82.16.010;

(8) In respect to the use of tangible personal property (including household goods) which have been used in conducting a farm activity, if such property was purchased from a farmer at an auction sale held or conducted by an auctioneer upon a farm and not otherwise;

(9) In respect to the use of tangible personal property by corporations which have been incorporated under any act of the congress of the United States and whose principal purposes are to furnish volunteer aid to members of the armed forces of the United States and also to carry on a system of national and international relief and to apply the same in mitigating the sufferings caused by pestilence, famine, fire, flood, and other national calamities and to devise and carry on measures for preventing the same;

(10) In respect to the use of purebred livestock for breeding purposes where said animals are registered in a nationally recognized breed association; sales of cattle and milk cows used on the farm;

**Use tax.  
Exemptions.**

(11) In respect to the use of poultry in the production for sale of poultry or poultry products;

(12) In respect to the use of fuel by the extractor or manufacturer thereof when used directly in the operation of the particular extractive operation or manufacturing plant which produced or manufactured the same;

(13) In respect to the use of motor vehicles, equipped with dual controls, which are loaned to school districts and used by such districts exclusively in connection with their high school driver training program;

(14) In respect to the use by a bailee of any article of tangible personal property which is entirely consumed in the course of research, development, experimental and testing activities conducted by the user, provided the acquisition or use of such articles by the bailor was not subject to the taxes imposed by chapter 82.08 or chapter 82.12.

(15) In respect to the use by residents of this state of motor vehicles and trailers acquired and used while such persons are members of the armed services and are stationed outside this state pursuant to military orders, but this exemption shall not apply to the use of motor vehicles or trailers acquired less than thirty days prior to the discharge or release from active duty of such person from the armed services.

**NOTE:** See also Section 1, Chapter 76, Laws of 1963.

**New section.**

**SEC. 5.** There is added to chapter 15, Laws of 1961, and to chapter 82.26 RCW a new section to read as follows:

**Tobacco products tax.  
Chapter 82.32  
applicable to.**

All of the provisions contained in chapter 82.32 shall have full force and application with respect to taxes imposed under the provisions of this chapter.

**RCW 82.32.080  
amended.**

**SEC. 6.** Section 82.32.080, chapter 15, Laws of 1961 and RCW 82.32.080 are each amended to read as follows:

Payment of the tax may be made by uncertified check under such regulations as the commission shall prescribe, but, if a check so received is not paid by the bank on which it is drawn, the taxpayer, by whom such check is tendered, shall remain liable for payment of the tax and for all legal penalties, the same as if such check had not been tendered.

Excise taxes—  
Administrative  
provisions.  
Payment by  
check—Mail-  
ing—Time  
extension—  
Payment must  
accompany  
tax return.

A return or remittance which is transmitted to the tax commission by United States mail shall be deemed filed or received on the date shown by the post office cancellation mark stamped upon the envelope containing it.

The tax commission, for good cause shown, may extend the time for making and filing any return, and may grant such reasonable additional time within which to make and file returns as it may deem proper, but any permanent extension granting the taxpayer a reporting date without penalty more than ten days beyond the due date, and any extension in excess of thirty days shall be conditional on deposit with the commission of an amount to be determined by the commission which shall be approximately equal to the estimated tax liability for the reporting period or periods for which the extension is granted. In the case of a permanent extension or a temporary extension of more than thirty days the deposit shall be deposited within the state treasury with other tax funds and a credit recorded to the taxpayer's account which may be applied to taxpayer's liability upon cancellation of the permanent extension or upon reporting of the tax liability where an extension of more than thirty days has been granted.

The commission shall review the requirement for deposit at least annually and may require a change in the amount of the deposit required when it believes that such amount does not approximate the

Excise taxes—  
General  
administration.  
Record of  
funds received,  
disbursed—  
Payment must  
accompany  
tax return.

tax liability for the reporting period or periods for which the extension is granted.

The commission shall keep full and accurate records of all funds received and disbursed by it.

The commission may refuse to accept any return which is not accompanied by a remittance of the tax shown to be due thereon. When such return is not accepted, the taxpayer shall be deemed to have failed or refused to file a return and shall be subject to the penalties provided in RCW 82.32.100. In any such case, the taxpayer shall, in the discretion of the commission, be subject to a penalty in the amount of ten percent of the tax or of one dollar, plus interest thereon at the rate of one percent per month, even though the remittance, transmitted separately, is received by the commission before or at the same time as the return was received, and even though such remittance is received before the due date of the tax.

RCW 82.32.090  
amended.

SEC. 7. Section 82.32.090, chapter 15, Laws of 1961 and RCW 82.32.090 are each amended to read as follows:

Late payments  
—Penalties—  
Notice.

If payment of any tax due is not received by the tax commission by the twenty-fifth day of the month in which the tax becomes due, there shall be added to the tax a penalty of two percent of the amount of the tax; and if the tax is not received within forty days of the due date, there may be added an additional penalty of five percent of the amount of the tax; and if the tax is not received within seventy days of the due date, there may be added an additional penalty of five percent of the amount of the tax. The commission shall notify the taxpayer of any delinquency and penalties; such notice shall contain an "additional penalty date," which date must be at least ten days from the date of the mailing of such notice; if the tax and penalty are not received by the tax commission by the "additional penalty

date," there may be added, in addition to any other penalty assessed by this section, a penalty of ten percent of the amount due; but none of the penalties so added shall be less than two dollars.

If a warrant be issued by the tax commission for the collection of taxes, increases, and penalties, there may be added thereto a penalty of five percent of the amount of the tax, but not less than five dollars.

Notwithstanding the foregoing, the aggregate of penalties imposed under this chapter for failure to file a return, late payment of any tax, increase, or penalty, or issuance of a warrant shall not exceed twenty-five percent of the tax due, but shall in no case be less than the minimum penalties prescribed herein.

SEC. 8. Section 82.32.160, chapter 15, Laws of 1961 and RCW 82.32.160 are each amended to read as follows:

RCW 82.32.160 amended.

Any person having been issued a notice of additional taxes, delinquent taxes, interest, or penalties assessed by the tax commission, may within twenty days after the issuance of the original notice of the amount thereof petition the commission in writing for a hearing and correction of the amount of the assessment. The petition shall set forth the reasons why the hearing should be granted and the amount of the tax, interest, or penalties, which the petitioner believes to be due. The commission shall promptly grant such hearing, fix the time and place therefor and notify the petitioner thereof by mail. After the hearing the commission may make such order as may appear to it to be just and lawful and shall mail a copy of its order to the petitioner. If no such petition is filed within the twenty day period the assessment covered by the notice shall become final.

Correction of tax—Administrative procedure—Hearing—Order.

SEC. 9. Section 82.32.180, chapter 15, Laws of 1961 and RCW 82.32.180 are each amended to read as follows:

RCW 82.32.180 amended.

Excise taxes—  
General  
administration.  
Court appeal—  
Procedure.

Any person, except one who has failed to keep and preserve books, records, and invoices as required in this chapter and chapter 82.24, having paid any tax as required and feeling aggrieved by the amount of the tax may appeal to the superior court of Thurston county, within the time limitation for a refund provided in this chapter, or within thirty days after the date of the notice denying a hearing, or within thirty days after the date of the notice of the amount of any adjustment of tax liability authorized by the commission in the order provided in RCW 82.32.170, or within thirty days after the date of the order provided in RCW 82.32.170 if no adjustment is authorized. In the appeal the taxpayer shall set forth the amount of the tax imposed upon him which he concedes to be the correct tax and the reason why the tax should be reduced or abated. The appeal shall be perfected by serving a copy of the notice of appeal upon the tax commission within the time herein specified and by filing the original thereof with proof of service with the clerk of the superior court of Thurston county. Within ten days after filing notice of appeal, the taxpayer shall file with the clerk of the superior court a good and sufficient surety bond payable to the state in the sum of two hundred dollars, conditioned to diligently prosecute the appeal and pay the state all costs that may be awarded if the appeal of the taxpayer is not sustained.

The trial in the superior court on the appeal shall be de novo and without the necessity of any pleadings other than the notice of appeal. The burden shall rest upon the taxpayer to prove that the tax as paid by him is incorrect, either in whole or in part, and to establish the correct amount of the tax. In such proceeding the taxpayer shall be deemed the plaintiff, and the state, the defendant; and both parties shall be entitled to subpoena the attendance of witnesses as in other civil actions and to produce

evidence that is competent, relevant, and material to determine the correct amount of the tax that should be paid by the taxpayer. Either party shall be allowed to appeal to the supreme court in the same manner as other civil actions are appealed to that court.

It shall not be necessary for the taxpayer to protest against the payment of any tax or to make any demand to have the same refunded or to petition the commissioner for a hearing in order to appeal to the superior court, but no court action or proceeding of any kind shall be maintained by the taxpayer to recover any tax paid, or any part thereof, except as herein provided.

SEC. 10. Section 82.32.330, chapter 15, Laws of 1961 and RCW 82.32.330 are each amended to read as follows:

RCW 82.32.330  
amended.

Except as hereinafter provided it shall be unlawful for the tax commission or any member, deputy, clerk, agent, employee, or representative thereof or any other person to make known or reveal any facts or information contained in any return filed by any taxpayer or disclosed in any investigation or examination of the taxpayer's books and records made in connection with the administration hereof. The foregoing, however, shall not be construed to prohibit the commission or a member or employee thereof from: (1) Giving such facts or information in evidence in any court action involving tax imposed hereunder or involving a violation of the provisions hereof or involving another state department and the taxpayer; (2) giving such facts and information to the taxpayer or his duly authorized agent; (3) publishing statistics so classified as to prevent the identification of particular returns or reports or items thereof; (4) giving such facts or information, for official purposes only, to the governor or attorney general, or to any state department or any commit-

Secrecy  
enjoined—  
Exceptions.

Excise taxes—  
General  
administration.  
Secrecy  
enjoined  
—Exception.

tee or subcommittee of the legislature dealing with matters of taxation, revenue, trade, commerce, the control of industry or the professions; (5) permitting its records to be audited and examined by the proper state officer, his agents and employees; (6) giving any such facts or information to the proper officer of the internal revenue service of the United States or to the proper officer of the tax department of any state, for official purposes, but only if the statutes of the United States or of such other state, as the case may be, grants substantially similar privileges to the proper officers of this state; or (7) giving any such facts or information to the Department of Justice or the army or navy departments of the United States, or any authorized representative thereof, for official purposes.

Any person acquiring knowledge of such facts or information in the course of his employment with the tax commission and any person acquiring knowledge of such facts and information as provided under (4), (5), (6) and (7) above, who reveals or makes known any such facts or information to another not entitled to knowledge of such facts or information under the provisions of this section, shall be punished by a fine of not exceeding one thousand dollars and, if the offender or person guilty of such violation is an officer or employee of the state, he shall forfeit such office or employment and shall be incapable of holding any public office or employment in this state for a period of two years thereafter.

New section.

SEC. 11. There is added to chapter 15, Laws of 1961 and to chapter 82.32 RCW a new section to read as follows:

Notice and  
order to with-  
hold and  
deliver—  
Procedure.

In addition to the remedies provided in this chapter the tax commission is hereby authorized to issue to any person, or to any political subdivision or department of the state, a notice and order to withhold and deliver property of any kind whatsoever when

there is reason to believe that there is in the possession of such person, political subdivision or department, property which is due, owing, or belonging to any taxpayer against whom a warrant has been filed.

The notice and order to withhold and deliver shall be served by the sheriff of the county wherein the service is made, or by his deputy or by any duly authorized representative of the tax commission. Any person, or any political subdivision or department upon whom service has been made is hereby required to answer the notice within twenty days exclusive of the day of service, under oath and in writing, and shall make true answers to the matters inquired of in the notice.

In the event there is in the possession of any such person or political subdivision or department, any property which may be subject to the claim of the tax commission, such property shall be delivered forthwith to the commission or its duly authorized representative upon demand to be held in trust by the commission for application on the indebtedness involved or for return, without interest, in accordance with final determination of liability or nonliability, or in the alternative, there shall be furnished a good and sufficient bond satisfactory to the tax commission conditioned upon final determination of liability.

Should any person or political subdivision fail to make answer to an order to withhold and deliver within the time prescribed herein, it shall be lawful for the court, after the time to answer such order has expired, to render judgment by default against such person or political subdivision for the full amount claimed by the tax commission in the notice to withhold and deliver, together with costs.

RCW 83.40.040 amended.

SEC. 12. Section 83.40.040, chapter 15, Laws of 1961 and RCW 83.40.040 are each amended to read as follows:

Inheritance tax—Adjustment with federal tax. Valuation adjusted to federal appraisalment.

If after the values have been determined under this title for inheritance tax purposes, the same estate is valued under the federal estate tax statute and the date of death value of the property, or any portion thereof, fixed under the federal law, is increased above or decreased below the value theretofore fixed under the inheritance tax provisions of this title, and this valuation under the federal estate tax is accepted by the estate either by agreement or through final determination in the federal court, the value as fixed under the inheritance tax provisions of this title upon such property or portion thereof shall be increased or decreased to this amount.

RCW 84.36.171 amended.

SEC. 13. Section 3, chapter 168, Laws of 1961 and RCW 84.36.171 are each amended to read as follows:

Property tax exemptions—Goods, raw furs, merchandise, etc., in transit. Affidavit of exemption.

Goods, wares, raw furs and merchandise manufactured or produced in any of the states, territories, or possessions of the United States or foreign countries and brought into this state for the purpose of transportation or sale through and to points without the state, and identified at the time the affidavit is filed as property ultimately destined for out-of-state shipment, while being so transported, or while held in storage in a public or private warehouse awaiting such transportation, shall be considered and held to be property in transit and nontaxable if actually shipped to points outside the state. The county assessor shall list and assess all such goods, wares and merchandise as of January 1st of each year, without regard to any average inventory, but shall cancel any such assessment in whole or in proportionate part upon receipt of the affidavit of exemption as set forth in section 14 of this amendatory act. A sale of or transfer of title to any such property, while being

so transported or held in storage, shall not operate to defeat the intent or purpose of this section.

SEC. 14. There is added to chapter 84.36 RCW a New section. new section to read as follows:

Any owner or agent claiming property in transit as defined in RCW 84.36.171 as of January 1st of any year shall file with his listing of property as provided by RCW 84.40.040 an affidavit of exemption in such form and manner as prescribed by the state tax commission which shall adequately describe the nature and amount of such property. Such property for which an exemption is sought must be shipped to an out-of-state destination not later than December 31st of the year for which the exemption is claimed.

Affidavit of exemption—  
Filing date.  
Final shipping date.

SEC. 15. There is added to chapter 84.36 RCW a New section. new section to read as follows:

If any property claimed to be tax exempt as property in transit as defined in RCW 84.36.171 is reconsigned to a final destination in the state of Washington or is not shipped out of the state by December 31st the owner or agent shall file a report not later than March 31st of the following year with the county assessor of the county in which the goods were located. Such report shall be on a form prescribed by the state tax commission. For each year the property would have been taxed, except for the provisions of this amendatory act, all such properties so reconsigned or not shipped out of the state by December 31st shall be assessed and taxed as otherwise provided by law, including (but not limited to) assessments as omitted property pursuant to RCW 84.40.080: *Provided*, That the three year limitations granted other omitted property shall not apply to property in transit reconsigned for delivery in the state of Washington. Such property shall be subject to taxation for any year during which they were held as exempt property within the state prior to their

Reconsigning of goods claimed in transit—  
Taxation of.

Proviso.

Proviso.

delivery to some point in the state: *Provided further*, That any property first declared to be exempt as in transit and later reconsigned for delivery within the state shall be subject to a penalty equal to eight percent of the tax found to be payable on such property during the period it was declared as exempt.

New section.

SEC. 16. There is added to chapter 84.36 RCW a new section to read as follows:

Property tax exemptions. Goods, raw furs, merchandise, etc., in transit. Books and records to show— Inspection of.

All property claimed to be property in transit under section 1 of this amendatory act shall be so designated upon the books and records of the owner or his agent, or if the owner or agent maintains no records within this state, then upon the records of the warehouse or other person or agency having custody of such property in this state. An owner or agent filing an affidavit of exemption under this amendatory act shall consent to the inspection of his books and records upon which the claimed property has been designated, such inspection to be similar in manner to that provided by RCW 84.40.340, or if the owner or agent does not maintain records within this state, the consent shall apply to the records of the warehouse, person or agent having custody of the property in this state. Consent to the inspection of the records shall be executed as a part of the affidavit of exemption. The owner, his agent, warehouseman or other person having custody of the property referred to herein shall retain within this state for a period of at least two years from the date of the affidavit of exemption a copy of the records showing shipment of such property to a destination outside this state. If adequate records are not made available to the assessor within the county wherein the exemption is sought then the exemption shall be denied.

SEC. 17. This act shall take effect on July 1, 1963.

Passed the Senate April 6, 1963.

Passed the House April 5, 1963.

Approved by the Governor April 18, 1963.