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SENATE BILL 6542

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State of Washington                      65th Legislature                      2018 Regular Session

By Senators Baumgartner, Hobbs, Mullet, and Fain

1            AN ACT Relating to lowering the ceiling of the business and  
2 occupation manufacturing tax rate to 0.2904 percent; amending RCW  
3 82.04.240, 82.04.240, 82.04.280, and 82.32.790; creating new  
4 sections; and providing a contingent effective date.

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

6            NEW SECTION.    **Sec. 1.**    (1) This section is the tax preference  
7 performance statement for the tax preferences contained in this act.  
8 The change in tax base created by this act is intended to be  
9 permanent. This performance statement is only intended to be used for  
10 subsequent evaluation of the tax preference. It is not intended to  
11 create a private right of action by any party or be used to determine  
12 eligibility for preferential tax treatment.

13            (2) The legislature categorizes this tax preference as one  
14 intended to create and retain jobs, improve industry competitiveness,  
15 and reduce structural inefficiencies, as indicated in RCW  
16 82.32.808(2) (b) through (d).

17            (3) The legislature finds that manufacturing is a vital part of  
18 Washington's economy, providing family-wage jobs throughout the  
19 state, accompanied by a multiplier effect that often makes these  
20 employers hubs of their local communities. The legislature also finds  
21 that manufacturing jobs in Washington have been in decline, losing

1 over fifty thousand jobs since the turn of the century. Over forty-  
2 five thousand jobs of the net jobs lost have occurred in nonaerospace  
3 manufacturing, which is generally subject to a tax rate forty percent  
4 higher than the aerospace industry in Washington. Therefore, it is  
5 the legislature's specific public policy to enhance taxpayer equity  
6 by lowering the business and occupation rate ceiling to 0.2904 for  
7 all manufacturers in the state in order to increase the  
8 sustainability of manufacturing in Washington as well as increase  
9 manufacturing's competitiveness around the world, thereby enabling  
10 manufacturing to continue to be a critical and hopefully growing  
11 source of family-wage jobs throughout the state.

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

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

20 (a) 0.484 percent through December 31, 2018;

21 (b) 0.4356 percent from January 1, 2019, through December 31,  
22 2019;

23 (c) 0.3872 percent from January 1, 2020, through December 31,  
24 2020;

25 (d) 0.3388 percent from January 1, 2021, through December 31,  
26 2021; and

27 (e) 0.2904 percent from January 1, 2022, and thereafter.

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

31 **Sec. 3.** RCW 82.04.240 and 2017 3rd sp.s. c 37 s 518 are each  
32 amended to read as follows:

33 (1) Upon every person engaging within this state in business as a  
34 manufacturer, except persons taxable as manufacturers under other  
35 provisions of this chapter; as to such persons the amount of the tax  
36 with respect to such business is equal to the value of the products,  
37 including byproducts, manufactured, multiplied by the rate of ((0.484  
38 percent))):

1 (a) 0.484 percent through December 31, 2018;

2 (b) 0.4356 percent from January 1, 2019, through December 31,  
3 2019;

4 (c) 0.3872 percent from January 1, 2020, through December 31,  
5 2020;

6 (d) 0.3388 percent from January 1, 2021, through December 31,  
7 2021; and

8 (e) 0.2904 percent from January 1, 2022, and thereafter.

9 (2)(a) Upon every person engaging within this state in the  
10 business of manufacturing semiconductor materials, as to such persons  
11 the amount of tax with respect to such business is, in the case of  
12 manufacturers, equal to the value of the product manufactured, or, in  
13 the case of processors for hire, equal to the gross income of the  
14 business, multiplied by the rate of 0.275 percent. For the purposes  
15 of this subsection "semiconductor materials" means silicon crystals,  
16 silicon ingots, raw polished semiconductor wafers, compound  
17 semiconductors, integrated circuits, and microchips.

18 (b) A person reporting under the tax rate provided in this  
19 subsection (2) must file a complete annual tax performance report  
20 with the department under RCW 82.32.534.

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

24 (4) This section expires January 1, 2024, unless the contingency  
25 in RCW 82.32.790(2) occurs.

26 **Sec. 4.** RCW 82.04.280 and 2017 c 323 s 508 are each amended to  
27 read as follows:

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

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

24 (2) Upon every person engaging within this state in the business  
25 of processing for hire, except persons taxable as processors for hire  
26 under another section of this chapter; as to such persons, the amount  
27 of tax on such business is equal to the gross income of the business  
28 multiplied by the rate of:

29 (a) 0.484 percent through December 31, 2018;

30 (b) 0.4356 percent from January 1, 2019, through December 31,  
31 2019;

32 (c) 0.3872 percent from January 1, 2020, through December 31,  
33 2020;

34 (d) 0.3388 percent from January 1, 2021, through December 31,  
35 2021; and

36 (e) 0.2904 percent from January 1, 2022, and thereafter.

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

39 (a) "Cold storage warehouse" means a storage warehouse used to  
40 store fresh and/or frozen perishable fruits or vegetables, meat,

1 seafood, dairy products, or fowl, or any combination thereof, at a  
2 desired temperature to maintain the quality of the product for  
3 orderly marketing.

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

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

18 **Sec. 5.** RCW 82.32.790 and 2017 3rd sp.s. c 37 s 526 are each  
19 amended to read as follows:

20 (1)(a) Section 3, chapter . . ., Laws of 2018 (section 3 of this  
21 act), sections 510, 512, 514, 516, 518, 520, 522, and 524, chapter  
22 37, Laws of 2017 3rd sp. sess., sections 9, 13, 17, 22, 24, 30, 32,  
23 and 45, chapter 135, Laws of 2017, sections 104, 110, 117, 123, 125,  
24 129, 131, and 150, chapter 114, Laws of 2010, and sections 1, 2, 3,  
25 and 5 through 10, chapter 149, Laws of 2003 are contingent upon the  
26 siting and commercial operation of a significant semiconductor  
27 microchip fabrication facility in the state of Washington by January  
28 1, 2024.

29 (b) For the purposes of this section:

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

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

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

38 (2) The sections referenced in subsection (1) of this section  
39 take effect the first day of the month in which a contract for the

1 construction of a significant semiconductor fabrication facility is  
2 signed, if the contract is signed and received by January 1, 2024, as  
3 determined by the director of the department of revenue.

4 (3)(a) The department of revenue must provide notice of the  
5 effective date of the sections referenced in subsection (1) of this  
6 section to affected taxpayers, the legislature, and others as deemed  
7 appropriate by the department.

8 (b) If, after making a determination that a contract has been  
9 signed and the sections referenced in subsection (1) of this section  
10 are effective, the department discovers that commencement of  
11 commercial production did not take place within three years of the  
12 date the contract was signed, the department must make a  
13 determination that chapter 149, Laws of 2003 is no longer effective,  
14 and all taxes that would have been otherwise due are deemed deferred  
15 taxes and are immediately assessed and payable from any person  
16 reporting tax under RCW 82.04.240(2) or claiming an exemption or  
17 credit under RCW 82.04.426, 82.04.448, 82.08.965, 82.12.965,  
18 82.08.970, 82.12.970, or 84.36.645. The department is not authorized  
19 to make a second determination regarding the effective date of the  
20 sections referenced in subsection (1) of this section.

21 (4)(a) This section expires January 1, 2024, if the contingency  
22 in subsection (2) of this section does not occur by January 1, 2024,  
23 as determined by the department.

24 (b) The department must provide written notice of the expiration  
25 date of this section and the sections referenced in subsection (1) of  
26 this section to affected taxpayers, the legislature, and others as  
27 deemed appropriate by the department.

28 NEW SECTION. **Sec. 6.** This act is exempt from the automatic  
29 expiration date provisions of RCW 82.32.805(1)(a).

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