
SENATE BILL 5608

State of Washington

66th Legislature

2019 Regular Session

By Senators Ericksen, Fortunato, Wilson, L., Bailey, Becker, Brown, Zeiger, Short, Honeyford, Padden, and Rivers

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; providing a contingent effective date; and providing a
5 contingent expiration date.

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

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

14 (2) The legislature categorizes this tax preference as one
15 intended to create and retain jobs, improve industry competitiveness,
16 and reduce structural inefficiencies, as indicated in RCW
17 82.32.808(2) (b) through (d).

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

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

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

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

21 (a) 0.484 percent through December 31, 2019;

22 (b) 0.4356 percent from January 1, 2020, through December 31,
23 2020;

24 (c) 0.3872 percent from January 1, 2021, through December 31,
25 2021;

26 (d) 0.3388 percent from January 1, 2022, through December 31,
27 2022; and

28 (e) 0.2904 percent from January 1, 2023, and thereafter.

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

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

34 (1) Upon every person engaging within this state in business as a
35 manufacturer, except persons taxable as manufacturers under other
36 provisions of this chapter; as to such persons the amount of the tax
37 with respect to such business is equal to the value of the products,

1 including byproducts, manufactured, multiplied by the rate of (~~0.484~~
2 percent):

3 (a) 0.484 percent through December 31, 2019;

4 (b) 0.4356 percent from January 1, 2020, through December 31,
5 2020;

6 (c) 0.3872 percent from January 1, 2021, through December 31,
7 2021;

8 (d) 0.3388 percent from January 1, 2022, through December 31,
9 2022; and

10 (e) 0.2904 percent from January 1, 2023, and thereafter.

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

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

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

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

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

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

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

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

31 (a) 0.484 percent through December 31, 2019;

32 (b) 0.4356 percent from January 1, 2020, through December 31,
33 2020;

34 (c) 0.3872 percent from January 1, 2021, through December 31,
35 2021;

36 (d) 0.3388 percent from January 1, 2022, through December 31,
37 2022; and

38 (e) 0.2904 percent from January 1, 2023, and thereafter.

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

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

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

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

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

22 (1)(a) Section 3, chapter . . ., Laws of 2019 (section 3 of this
23 act), sections 510, 512, 514, 516, 518, 520, 522, and 524, chapter
24 37, Laws of 2017 3rd sp. sess., sections 9, 13, 17, 22, 24, 30, 32,
25 and 45, chapter 135, Laws of 2017, sections 104, 110, 117, 123, 125,
26 129, 131, and 150, chapter 114, Laws of 2010, and sections 1, 2, 3,
27 and 5 through 10, chapter 149, Laws of 2003 are contingent upon the
28 siting and commercial operation of a significant semiconductor
29 microchip fabrication facility in the state of Washington by January
30 1, 2024.

31 (b) For the purposes of this section:

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

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

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

1 (2) The sections referenced in subsection (1) of this section
2 take effect the first day of the month in which a contract for the
3 construction of a significant semiconductor fabrication facility is
4 signed, if the contract is signed and received by January 1, 2024, as
5 determined by the director of the department of revenue.

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

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

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

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

32 NEW SECTION. **Sec. 7.** Section 2 of this act expires on the date
33 section 3 of this act takes effect.

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