
SENATE BILL 6655

State of Washington

54th Legislature

1996 Regular Session

By Senators Bauer, Cantu, Sutherland, Moyer, Owen, Schow, Hargrove, Wood, Heavey, Strannigan, Rasmussen, Finkbeiner, Sheldon, Johnson, Franklin, West, Hale, Snyder, Winsley, Deccio, Zarelli, Long, Oke, Spanel and A. Anderson

Read first time 01/22/96. Referred to Committee on Ways & Means.

1 AN ACT Relating to sales and use tax exemptions for machinery and
2 equipment used in manufacturing research and development; amending RCW
3 82.08.02565 and 82.12.02565; creating a new section; and providing an
4 effective date.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that the health,
7 safety, and welfare of the people of the state of Washington are
8 heavily dependent upon the continued encouragement, development, and
9 expansion of opportunities for family wage employment in the state's
10 manufacturing industries.

11 The legislature also finds that sales and use tax exemptions for
12 manufacturing machinery and equipment enacted by the 1995 legislature
13 have improved Washington's ability to compete with other states for
14 manufacturing investment, but that additional incentives for
15 manufacturers need to be adopted to solidify and enhance the state's
16 competitive position.

17 The legislature intends to accomplish this by extending the current
18 manufacturing machinery and equipment exemptions to include machinery

1 and equipment used for research and development with potential
2 manufacturing applications.

3 **Sec. 2.** RCW 82.08.02565 and 1995 1st sp.s. c 3 s 2 are each
4 amended to read as follows:

5 (1) The tax levied by RCW 82.08.020 shall not apply to sales to a
6 manufacturer or processor for hire of machinery and equipment used
7 directly in a manufacturing operation or research and development
8 operation, or to sales of or charges made for labor and services
9 rendered in respect to installing the machinery and equipment, but only
10 when the purchaser provides the seller with an exemption certificate in
11 a form and manner prescribed by the department by rule, and the
12 purchaser provides the department with a duplicate of the certificate
13 or a summary of exempt sales as the department may require. The seller
14 shall retain a copy of the certificate for the seller's files.

15 (2) For purposes of this section and RCW 82.12.02565:

16 (a) "Machinery and equipment" means industrial fixtures, devices,
17 and support facilities. "Machinery and equipment" includes pollution
18 control equipment installed and used in a manufacturing operation or
19 research and development operation to prevent air pollution, water
20 pollution, or contamination that might otherwise result from the
21 manufacturing operation or research and development operation.

22 (b) "Machinery and equipment" does not include:

23 (i) Hand tools;

24 (ii) Property with a useful life of less than one year;

25 (iii) Repair parts required to restore machinery and equipment to
26 normal working order;

27 (iv) Replacement parts that do not increase productivity, improve
28 efficiency, or extend the useful life of the machinery and equipment;
29 (~~(v)~~)

30 (v) Buildings, other than machinery and equipment that is
31 permanently affixed to or becomes a physical part of a building; and

32 (vi) Building fixtures that are not integral to the manufacturing
33 operation or research and development operation that are permanently
34 affixed to and become a physical part of a building, such as utility
35 systems for heating, ventilation, air conditioning, communications,
36 plumbing, or electrical.

1 (c) Machinery and equipment is "used directly" in a manufacturing
2 operation or research and development operation if the machinery and
3 equipment:

4 (i) Acts upon or interacts with an item of tangible personal
5 property;

6 (ii) Conveys, transports, handles, or temporarily stores an item of
7 tangible personal property at the manufacturing site;

8 (iii) Controls, guides, measures, verifies, aligns, regulates, or
9 tests tangible personal property;

10 (iv) Provides physical support for or access to tangible personal
11 property;

12 (v) Produces power for, or lubricates machinery and equipment;

13 (vi) Produces another item of tangible personal property for use in
14 the manufacturing operation or research and development operation;

15 ((or))

16 (vii) Places tangible personal property in the container, package,
17 or wrapping in which the tangible personal property is normally sold or
18 transported; or

19 (viii) Is integral to research and development as defined in RCW
20 82.63.010.

21 (d) "Manufacturing operation" means the manufacturing of articles,
22 substances, or commodities for sale as tangible personal property. The
23 manufacturing operation begins at the point where the raw materials
24 enter the manufacturing site and ends at the point where the finished
25 product leaves the manufacturing site. The term also includes that
26 portion of a cogeneration project that is used to generate power for
27 consumption within the manufacturing site of which the cogeneration
28 project is an integral part. The term does not include ((~~research and~~
29 ~~development,~~)) the production of electricity by a light and power
30 business as defined in RCW 82.16.010((~~7~~)) or the preparation of food
31 products on the premises of a person selling food products at retail.

32 (e) "Cogeneration" means the simultaneous generation of electrical
33 energy and low-grade heat from the same fuel.

34 (f) "Research and development operation" means engaging in research
35 and development as defined in RCW 82.63.010 by a manufacturer or
36 processor for hire.

37 **Sec. 3.** RCW 82.12.02565 and 1995 1st sp.s. c 3 s 3 are each
38 amended to read as follows:

1 The provisions of this chapter shall not apply in respect to the
2 use by a manufacturer or processor for hire of machinery and equipment
3 used directly in a manufacturing operation or research and development
4 operation, but only when the user provides the department with:

5 (1) An exemption certificate in a form and manner prescribed by the
6 department within sixty days of the first use of the machinery and
7 equipment in this state; or

8 (2) An annual summary listing the machinery and equipment by
9 January 31 of the year following the calendar year in which the
10 machinery and equipment is first used in this state.

11 NEW SECTION. **Sec. 4.** This act shall take effect July 1, 1996.

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