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**SENATE BILL 6025**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** Senators Liias, Pearson, and Hargrove

AN ACT Relating to tax incentives for producers of cross-laminated timber products; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding a new section to chapter 82.04 RCW; creating new sections; providing an effective date; and providing expiration dates.

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

NEW SECTION. **Sec.**  The legislature finds that maintaining a strong and sustainable wood products industry is vital to communities dependent on our state's timber. The legislature intends to support rural communities that have faced economic hardships due to declines in harvest volume and sawmills. The legislature also intends to support timber-dependent communities that have suffered natural disasters, in particular, the town of Darrington in the wake of the state route number 530 landslide tragedy. To these ends, it is the intent of the legislature to provide opportunities for new sustainable wood products industries to develop in our state. A viable forest-based economy will revitalize our timber-dependent communities, protect our state's natural resources, and reduce statewide greenhouse gas emissions at all phases of the forest product lifecycle.

NEW SECTION. **Sec.**  This section is the tax preference performance statement for the tax preferences contained in this act. This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(1) The legislature categorizes this tax preference as one intended to create jobs as indicated in RCW 82.32.808(2)(c).

(2) It is the legislature's specific public policy objective to create jobs in the timber industry. It is the legislature's intent to provide tax incentives to help cross-laminated timber products start a thriving industry in this state.

(3) The tax incentives in this act are intended to not continue after the expiration date.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

(1) The tax levied by RCW 82.08.020 does not apply to the sale of or charge made for:

(a) Labor and services rendered in respect to the constructing of qualified new structures, and expansion or renovation of qualified existing structures, for the purpose of manufacturing cross-laminated timber products;

(b) Materials that will be incorporated as an ingredient or component of new or existing structures during the course of such constructing, expanding, or renovating; and

(c) Machinery and equipment that is required to manufacture cross-laminated timber products.

(2) Sellers making tax exempt sales under this section must obtain from the purchaser an exemption certificate in a form and manner prescribed by the department. The seller must retain a copy of the certificate for the seller's files.

(3) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Cross-laminated timber products" means panels consisting of several layers of lumber boards stacked crosswise and glued or otherwise attached together.

(b)(i) "Machinery and equipment" means industrial fixtures, devices, and support facilities that are integral and necessary to manufacture cross-laminated timber products.

(ii) "Machinery and equipment" does not include: (A) Hand-powered tools; (B) property with a useful life of less than one year; (C) repair parts required to restore machinery and equipment to normal working order; (D) replacement parts that do not increase productivity, improve efficiency, or extend the useful life of machinery and equipment; (E) buildings; or (F) building fixtures that are not integral and necessary to manufacture cross-laminated timber products that are permanently affixed to and become a physical part of a building.

(c) "Qualified new structures" and "qualified existing structures" means structures used primarily to manufacture cross-laminated timber products located in the areas described in subsection (4) of this section.

(4) Only three qualified new structures or qualified existing structures may qualify for the exemption in this section. Qualifying new structures or qualifying existing structures may only be located in the following areas:

(a) West of the Puget Sound;

(b) Within thirty miles of a disaster area declared by the president of the United States in April 2014; and

(c) East of the Cascade range.

(5) To qualify for the exemption in this section and in section 4 of this act, a person must submit an application to the department in a form and manner required by the department. Applications that meet the qualifying conditions must be approved on a first in time basis.

(6) This section expires July 1, 2025.

NEW SECTION. **Sec.**  A new section is added to chapter 82.12 RCW to read as follows:

(1) The tax levied by RCW 82.12.020 does not apply to the use of:

(a) Materials that will be incorporated as an ingredient or component of qualified new or existing structures during the course of the constructing of qualified new structures, or expansion or renovation of qualified existing structures, for the purpose of manufacturing cross-laminated timber products; and

(b) Machinery and equipment that is required to manufacture cross-laminated timber products, including labor and services rendered in respect to installing such machinery and equipment.

(2) The exemption in this section does not apply to the use of materials, machinery and equipment, and installation labor for machinery and equipment, when first used within this state if such materials, machinery and equipment, and installation labor occurred on or after June 30, 2025.

(3) The definitions and requirements in section 2 of this act apply to this section.

(4) This section expires July 1, 2025.

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

(1) In computing the tax imposed under this chapter, a credit is allowed for all property taxes paid during the calendar year on property owned by a person qualifying for the exemption in section 3 of this act.

(2) A person claiming the credit under this section is subject to all of the requirements of chapter 82.32 RCW. A credit earned during one calendar year may be carried over to be credited against taxes incurred in the subsequent calendar year, but may not be carried over a second year. Credits carried over must be applied to tax liability before new credits. No refunds may be granted for credits under this section.

(3) Credits may only be claimed for a five-year period by a person qualifying under section 3 of this act.

(4) A person claiming the credit provided in this section must file a complete annual report with the department under RCW 82.32.534.

(5) This section expires July 1, 2025.

NEW SECTION. **Sec.**  This act takes effect August 1, 2015.

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