
HOUSE BILL 2260

State of Washington

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By Representatives Thompson, Chandler, McMorris, Buck, Mastin, McMahan, Schoesler, Pelesky, Goldsmith, Sheldon and Hargrove

Read first time 01/09/96. Referred to Committee on Finance.

1 AN ACT Relating to tax exemptions for process industries; amending
2 RCW 82.08.02565 and 82.12.02565; and providing an effective date.

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

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

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

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

18 (a) "Machinery and equipment" means industrial fixtures, devices,
19 and support facilities. "Machinery and equipment" includes pollution

1 control equipment installed and used in a manufacturing operation to
2 prevent air pollution, water pollution, or contamination that might
3 otherwise result from the manufacturing operation.

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

5 (i) Hand tools;

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

7 (iii) Repair parts required to restore machinery and equipment to
8 normal working order;

9 (iv) Replacement parts that do not increase productivity, improve
10 efficiency, or extend the useful life of the machinery and equipment;
11 or

12 (v) Building fixtures that are not integral to the manufacturing
13 operation or processing operation that are permanently affixed to and
14 become a physical part of a building, such as utility systems for
15 heating, ventilation, air conditioning, communications, plumbing, or
16 electrical.

17 (c) Machinery and equipment is "used directly" in a manufacturing
18 operation or processing operation if the machinery and equipment:

19 (i) Acts upon or interacts with an item of tangible personal
20 property;

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

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

25 (iv) Provides physical support for or access to tangible personal
26 property;

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

28 (vi) Produces another item of tangible personal property for use in
29 the manufacturing operation or processing operation; or

30 (vii) Places tangible personal property in the container, package,
31 or wrapping in which the tangible personal property is normally sold or
32 transported.

33 (d) "Manufacturing operation" means the manufacturing of articles,
34 substances, or commodities for sale as tangible personal property. The
35 manufacturing operation begins at the point where the raw materials
36 enter the manufacturing site and ends at the point where the finished
37 product leaves the manufacturing site. The term also includes that
38 portion of a cogeneration project that is used to generate power for
39 consumption within the manufacturing site of which the cogeneration

1 project is an integral part. The term does not include research and
2 development, the production of electricity by a light and power
3 business as defined in RCW 82.16.010, or the preparation of food
4 products on the premises of a person selling food products at retail.

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

7 (f) "Potato packing operation" means the packaging of fresh
8 potatoes for sale in their natural state. The packaging operation
9 begins at the point where the fresh potatoes enter the packaging site
10 and ends at the point where the packaged product leaves the packaging
11 site.

12 (g) "Professional laundry" means the washing and finishing of
13 articles that are packaged for shipment by a commercial or industrial
14 laundry. The term does not include coin-operated laundries.

15 (h) "Apple processing operation" means the packaging of fresh
16 apples for sale in their natural state. The packaging operation begins
17 at the point fresh apples enter the packaging site and ends at the
18 point where the packaged product leaves the packaging site.

19 (i) "Processing operation" means a potato packing operation,
20 professional laundry, or apple processing operation.

21 **Sec. 2.** RCW 82.12.02565 and 1995 1st sp.s. c 3 s 3 are each
22 amended to read as follows:

23 The provisions of this chapter shall not apply in respect to the
24 use by a manufacturer or processor for hire of machinery and equipment
25 used directly in a manufacturing operation, or in respect to the use of
26 machinery and equipment used directly in a processing operation, but
27 only when the user provides the department with:

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

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

34 NEW SECTION. **Sec. 3.** This act shall take effect July 1, 1996.

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