
HOUSE BILL 2484

State of Washington

54th Legislature

1996 Regular Session

By Representatives Van Luven, Sheldon, Radcliff, Hatfield, Sherstad, D. Schmidt, Cooke, Conway, Goldsmith, Silver, Kessler and Johnson

Read first time 01/11/96. Referred to Committee on Trade & Economic Development.

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

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

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

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

16 The legislature intends to accomplish this by extending the current
17 manufacturing machinery and equipment exemptions to include machinery
18 and equipment used for research and development with potential
19 manufacturing applications. The legislature also intends to allow a

1 sales tax exemption for labor and service charges for repairing,
2 cleaning, altering, or improving machinery and equipment, and a sales
3 and use tax exemption for repair and replacement parts with a useful
4 life of one year or more.

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

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

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

19 (a) "Machinery and equipment" means industrial fixtures, devices,
20 and support facilities, and tangible personal property that becomes an
21 ingredient or component thereof, including repair parts and replacement
22 parts. "Machinery and equipment" includes pollution control equipment
23 installed and used in a manufacturing operation or research and
24 development operation to prevent air pollution, water pollution, or
25 contamination that might otherwise result from the manufacturing
26 operation or research and development operation.

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

28 (I) Hand tools;

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

30 ~~(iii) ((Repair parts required to restore machinery and equipment to~~
31 ~~normal working order;~~

32 ~~(iv) Replacement parts that do not increase productivity, improve~~
33 ~~efficiency, or extend the useful life of the machinery and equipment;~~
34 ~~or~~

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

37 (iv) Building fixtures that are not integral to the manufacturing
38 operation or research and development operation that are permanently

1 affixed to and become a physical part of a building, such as utility
2 systems for heating, ventilation, air conditioning, communications,
3 plumbing, or electrical.

4 (c) Machinery and equipment is "used directly" in a manufacturing
5 operation or research and development operation if the machinery and
6 equipment:

7 (I) Acts upon or interacts with an item of tangible personal
8 property;

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

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

13 (iv) Provides physical support for or access to tangible personal
14 property;

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

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

18 ((or))

19 (vii) Places tangible personal property in the container, package,
20 or wrapping in which the tangible personal property is normally sold or
21 transported; or

22 (viii) Is integral to research and development as defined in RCW
23 82.63.010.

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

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

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

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

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

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

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

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

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