
SENATE BILL 6656

State of Washington

54th Legislature

1996 Regular Session

By Senators Bauer, Cantu, Sutherland, Moyer, Owen, Hale, Hargrove, Schow, Heavey, Wood, Rasmussen, Strannigan, Sheldon, Finkbeiner, Franklin, Johnson, Snyder, West, Winsley, Zarelli, Long, Deccio, 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 manufacturing
2 machinery and equipment; amending RCW 82.08.02565; creating a new
3 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 allow a sales tax
18 exemption for labor and service charges for repairing, cleaning,
19 altering, or improving machinery and equipment, and a sales and use tax

1 exemption for repair and replacement parts with a useful life of one
2 year or more.

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 to sales of or charges made
8 for labor and services rendered in respect to installing, repairing,
9 cleaning, altering, or improving 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, and tangible personal property that becomes an
18 ingredient or component thereof, including repair parts and replacement
19 parts. "Machinery and equipment" includes pollution control equipment
20 installed and used in a manufacturing operation to prevent air
21 pollution, water pollution, or contamination that might otherwise
22 result from the manufacturing operation.

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

24 (i) Hand tools;

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

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

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

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

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

37 (c) Machinery and equipment is "used directly" in a manufacturing
38 operation if the machinery and equipment:

1 (i) Acts upon or interacts with an item of tangible personal
2 property;

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

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

7 (iv) Provides physical support for or access to tangible personal
8 property;

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

10 (vi) Produces another item of tangible personal property for use in
11 the manufacturing operation; or

12 (vii) Places tangible personal property in the container, package,
13 or wrapping in which the tangible personal property is normally sold or
14 transported.

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

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

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

--- END ---