
SENATE BILL 6310

State of Washington

55th Legislature

1998 Regular Session

By Senator Snyder

Read first time 01/15/98. Referred to Committee on Ways & Means.

1 AN ACT Relating to sales and use tax deferrals and exemptions on
2 investment projects; amending RCW 82.60.020 and 82.60.040; and
3 providing an expiration date.

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

5 **Sec. 1.** RCW 82.60.020 and 1996 c 290 s 4 are each amended to read
6 as follows:

7 Unless the context clearly requires otherwise, the definitions in
8 this section apply throughout this chapter.

9 (1) "Applicant" means a person applying for a tax deferral under
10 this chapter.

11 (2) "Department" means the department of revenue.

12 (3) "Eligible area" means:

13 (a) A county in which the average level of unemployment for the
14 three years before the year in which an application is filed under this
15 chapter exceeds the average state unemployment for those years by
16 twenty percent;

17 (b) A county that has a median household income that is less than
18 seventy-five percent of the state median household income for the
19 previous three years;

1 (c) A metropolitan statistical area, as defined by the office of
2 federal statistical policy and standards, United States department of
3 commerce, in which the average level of unemployment for the calendar
4 year immediately preceding the year in which an application is filed
5 under this chapter exceeds the average state unemployment for such
6 calendar year by twenty percent;

7 (d) A designated community empowerment zone approved under RCW
8 43.63A.700 or a county containing such a community empowerment zone;

9 (e) A town with a population of less than twelve hundred persons in
10 those counties that are not covered under (a) of this subsection that
11 are timber impact areas as defined in RCW 43.31.601;

12 (f) A county designated by the governor as an eligible area under
13 RCW 82.60.047; (~~(e)~~)

14 (g) A county that is contiguous to a county that qualifies as an
15 eligible area under (a) or (f) of this subsection; or

16 (h) A county with a population of less than five thousand that is
17 contiguous to three or more counties that qualify as an eligible area
18 under (a) of this subsection.

19 (4)(a) "Eligible investment project" means:

20 (i) An investment project in an eligible area as defined in
21 subsection (3)(a), (b), (c), (e), (~~(e)~~) (f), or (h) of this section;
22 or

23 (ii) That portion of an investment project in an eligible area as
24 defined in subsection (3)(d) or (g) of this section which is directly
25 utilized to create at least one new full-time qualified employment
26 position for each three hundred thousand dollars of investment on which
27 a deferral is requested in an application approved before July 1, 1994,
28 and for each seven hundred fifty thousand dollars of investment on
29 which a deferral is requested in an application approved after June 30,
30 1994.

31 (b) The lessor/owner of a qualified building is not eligible for a
32 deferral unless the underlying ownership of the buildings, machinery,
33 and equipment vests exclusively in the same person, or unless the
34 lessor by written contract agrees to pass the economic benefit of the
35 deferral to the lessee in the form of reduced rent payments.

36 (c) For purposes of (a)(ii) of this subsection:

37 (i) The department shall consider the entire investment project,
38 including any investment in machinery and equipment that otherwise
39 qualifies for exemption under RCW 82.08.02565 or 82.12.02565, for

1 purposes of determining the portion of the investment project that
2 qualifies for deferral as an eligible investment project; and

3 (ii) The number of new full-time qualified employment positions
4 created by an investment project shall be deemed to be reduced by the
5 number of full-time employment positions maintained by the recipient in
6 any other community in this state that are displaced as a result of the
7 investment project.

8 (d) "Eligible investment project" does not include any portion of
9 an investment project undertaken by a light and power business as
10 defined in RCW 82.16.010(5), other than that portion of a cogeneration
11 project that is used to generate power for consumption within the
12 manufacturing site of which the cogeneration project is an integral
13 part, or investment projects which have already received deferrals
14 under this chapter.

15 (5) "Investment project" means an investment in qualified buildings
16 or qualified machinery and equipment, including labor and services
17 rendered in the planning, installation, and construction of the
18 project.

19 (6) "Manufacturing" means all activities of a commercial or
20 industrial nature wherein labor or skill is applied, by hand or
21 machinery, to materials so that as a result thereof a new, different,
22 or useful substance or article of tangible personal property is
23 produced for sale or commercial or industrial use and shall include the
24 production or fabrication of specially made or custom made articles.
25 "Manufacturing" also includes computer programming, the production of
26 computer software, and other computer-related services, and the
27 activities performed by research and development laboratories and
28 commercial testing laboratories.

29 (7) "Person" has the meaning given in RCW 82.04.030.

30 (8) "Qualified buildings" means construction of new structures, and
31 expansion or renovation of existing structures for the purpose of
32 increasing floor space or production capacity used for manufacturing
33 and research and development activities, including plant offices and
34 warehouses or other facilities for the storage of raw material or
35 finished goods if such facilities are an essential or an integral part
36 of a factory, mill, plant, or laboratory used for manufacturing or
37 research and development. If a building is used partly for
38 manufacturing or research and development and partly for other
39 purposes, the applicable tax deferral shall be determined by

1 apportionment of the costs of construction under rules adopted by the
2 department.

3 (9) "Qualified employment position" means a permanent full-time
4 employee employed in the eligible investment project during the entire
5 tax year.

6 (10) "Qualified machinery and equipment" means all new industrial
7 and research fixtures, equipment, and support facilities that are an
8 integral and necessary part of a manufacturing or research and
9 development operation. "Qualified machinery and equipment" includes:
10 Computers; software; data processing equipment; laboratory equipment;
11 manufacturing components such as belts, pulleys, shafts, and moving
12 parts; molds, tools, and dies; operating structures; and all equipment
13 used to control or operate the machinery.

14 (11) "Recipient" means a person receiving a tax deferral under this
15 chapter.

16 (12) "Research and development" means the development, refinement,
17 testing, marketing, and commercialization of a product, service, or
18 process before commercial sales have begun. As used in this
19 subsection, "commercial sales" excludes sales of prototypes or sales
20 for market testing if the total gross receipts from such sales of the
21 product, service, or process do not exceed one million dollars.

22 **Sec. 2.** RCW 82.60.040 and 1997 c 156 s 5 are each amended to read
23 as follows:

24 (1) The department shall issue a sales and use tax deferral
25 certificate for state and local sales and use taxes due under chapters
26 82.08, 82.12, and 82.14 RCW on each eligible investment project that:

27 (a) Is located in an eligible area as defined in RCW 82.60.020(3)
28 (a), (b), (c), (e), ~~((e))~~ (f), or (h);

29 (b) Is located in an eligible area as defined in RCW
30 82.60.020(3)(g) if seventy-five percent of the new qualified employment
31 positions are to be filled by residents of a contiguous county that is
32 an eligible area as defined in RCW 82.60.020(3) (a) or (f); or

33 (c) Is located in an eligible area as defined in RCW
34 82.60.020(3)(d) if seventy-five percent of the new qualified employment
35 positions are to be filled by residents of a designated community
36 empowerment zone approved under RCW 43.63A.700 located within the
37 county in which the eligible investment project is located.

1 (2) The department shall keep a running total of all deferrals
2 granted under this chapter during each fiscal biennium.
3 (3) This section expires July 1, 2004.

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