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HOUSE BILL 3070

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State of Washington

56th Legislature

2000 Regular Session

By Representatives Reardon and Scott

Read first time 01/27/2000. Referred to Committee on Finance.

1 AN ACT Relating to sales and use tax exemptions for manufacturing  
2 machinery and equipment; and amending RCW 82.08.02565.

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

4 **Sec. 1.** RCW 82.08.02565 and 1999 c 211 s 5 are each amended to  
5 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 or research and development  
9 operation, to sales to a person engaged in testing for a manufacturer  
10 or processor for hire of machinery and equipment used directly in a  
11 testing operation, or to sales of or charges made for labor and  
12 services rendered in respect to installing, repairing, cleaning,  
13 altering, or improving the machinery and equipment, but only when the  
14 purchaser provides the seller with an exemption certificate in a form  
15 and manner prescribed by the department by rule. The seller shall  
16 retain a copy of the 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, and tangible personal property that becomes an

1 ingredient or component thereof, including repair parts and replacement  
2 parts. "Machinery and equipment" includes pollution control equipment  
3 installed and used in a manufacturing operation, testing operation, or  
4 research and development operation to prevent air pollution, water  
5 pollution, or contamination that might otherwise result from the  
6 manufacturing operation, testing operation, or research and development  
7 operation.

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

9 (i) Hand-powered tools;

10 (ii) Property with a useful life of less than one year, except for  
11 property used by a manufacturer to create molds that are exempt under  
12 this section;

13 (iii) Buildings, other than machinery and equipment that is  
14 permanently affixed to or becomes a physical part of a building; and

15 (iv) Building fixtures that are not integral to the manufacturing  
16 operation, testing operation, or research and development operation  
17 that are permanently affixed to and become a physical part of a  
18 building, such as utility systems for heating, ventilation, air  
19 conditioning, communications, plumbing, or electrical.

20 (c) Machinery and equipment is "used directly" in a manufacturing  
21 operation, testing operation, or research and development operation if  
22 the machinery and equipment:

23 (i) Acts upon or interacts with an item of tangible personal  
24 property;

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

27 (iii) Controls, guides, measures, verifies, aligns, regulates, or  
28 tests tangible personal property at the site or away from the site;

29 (iv) Provides physical support for or access to tangible personal  
30 property;

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

32 (vi) Produces another item of tangible personal property for use in  
33 the manufacturing operation, testing operation, or research and  
34 development operation;

35 (vii) Places tangible personal property in the container, package,  
36 or wrapping in which the tangible personal property is normally sold or  
37 transported; or

38 (viii) Is integral to research and development as defined in RCW  
39 82.63.010.

1 (d) "Manufacturing operation" means the manufacturing of articles,  
2 substances, or commodities for sale as tangible personal property. A  
3 manufacturing operation begins at the point where the raw materials  
4 enter the manufacturing site and ends at the point where the processed  
5 material leaves the manufacturing site. The term also includes that  
6 portion of a cogeneration project that is used to generate power for  
7 consumption within the manufacturing site of which the cogeneration  
8 project is an integral part. The term does not include the production  
9 of electricity by a light and power business as defined in RCW  
10 82.16.010 or the preparation of food products on the premises of a  
11 person selling food products at retail.

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

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

17 (g) "Testing" means activities performed to establish or determine  
18 the properties, qualities, and limitations of tangible personal  
19 property.

20 (h) "Testing operation" means the testing of tangible personal  
21 property for a manufacturer or processor for hire. A testing operation  
22 begins at the point where the tangible personal property enters the  
23 testing site and ends at the point where the tangible personal property  
24 leaves the testing site. The term also includes that portion of a  
25 cogeneration project that is used to generate power for consumption  
26 within the site of which the cogeneration project is an integral part.  
27 The term does not include the production of electricity by a light and  
28 power business as defined in RCW 82.16.010 or the preparation of food  
29 products on the premises of a person selling food products at retail.

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