

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 1523**

Chapter 142, Laws of 2006

59th Legislature  
2006 Regular Session

TAX EXEMPTIONS--CONDITIONING OF VEGETABLE SEEDS

EFFECTIVE DATE: 7/1/06

Passed by the House March 8, 2006  
Yeas 97 Nays 1

FRANK CHOPP

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**Speaker of the House of Representatives**

Passed by the Senate March 7, 2006  
Yeas 43 Nays 5

BRAD OWEN

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**President of the Senate**

Approved March 20, 2006.

CHRISTINE GREGOIRE

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**Governor of the State of Washington**

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1523** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

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**Chief Clerk**

FILED

March 20, 2006 - 2:46 p.m.

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 1523**

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AS AMENDED BY THE SENATE

Passed Legislature - 2006 Regular Session

**State of Washington                      59th Legislature                      2006 Regular Session**

**By**        House Committee on Finance (originally sponsored by  
Representatives Quall, Morris, Pettigrew, Kilmer, Talcott, Pearson,  
Linville and Kristiansen)

READ FIRST TIME 02/09/06.

1            AN ACT Relating to extending a sales and use tax exemption to the  
2 construction of facilities to be used for the conditioning of vegetable  
3 seeds; amending RCW 82.60.020; and providing an effective date.

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

5            **Sec. 1.** RCW 82.60.020 and 2004 c 25 s 3 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 a rural county as defined in RCW  
13 82.14.370.

14           (4)(a) "Eligible investment project" means an investment project in  
15 an eligible area as defined in subsection (3) of this section.

16           (b) The lessor or owner of a qualified building is not eligible for  
17 a deferral unless:

18           (i) The underlying ownership of the buildings, machinery, and  
19 equipment vests exclusively in the same person; or

1 (ii)(A) The lessor by written contract agrees to pass the economic  
2 benefit of the deferral to the lessee;

3 (B) The lessee that receives the economic benefit of the deferral  
4 agrees in writing with the department to complete the annual survey  
5 required under RCW 82.60.070; and

6 (C) The economic benefit of the deferral passed to the lessee is no  
7 less than the amount of tax deferred by the lessor and is evidenced by  
8 written documentation of any type of payment, credit, or other  
9 financial arrangement between the lessor or owner of the qualified  
10 building and the lessee.

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

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

22 (6) "Manufacturing" means the same as defined in RCW 82.04.120.  
23 "Manufacturing" also includes computer programming, the production of  
24 computer software, and other computer-related services, (~~and~~) the  
25 activities performed by research and development laboratories and  
26 commercial testing laboratories, and the conditioning of vegetable  
27 seeds.

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

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

1 purposes, the applicable tax deferral shall be determined by  
2 apportionment of the costs of construction under rules adopted by the  
3 department.

4 (9) "Qualified employment position" means a permanent full-time  
5 employee employed in the eligible investment project during the entire  
6 tax year. The term "entire tax year" means a full-time position that  
7 is filled for a period of twelve consecutive months. The term "full-  
8 time" means at least thirty-five hours a week, four hundred fifty-five  
9 hours a quarter, or one thousand eight hundred twenty hours a year.

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

18 (11) "Recipient" means a person receiving a tax deferral under this  
19 chapter.

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

26 NEW SECTION. **Sec. 2.** This act takes effect July 1, 2006.

Passed by the House March 8, 2006.

Passed by the Senate March 7, 2006.

Approved by the Governor March 20, 2006.

Filed in Office of Secretary of State March 20, 2006.