

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SUBSTITUTE HOUSE BILL 3222**

Chapter 151, Laws of 2006

59th Legislature  
2006 Regular Session

TAX EXEMPTION--LIVESTOCK NUTRIENT MANAGEMENT

EFFECTIVE DATE: 7/1/06

Passed by the House February 11, 2006  
Yeas 77 Nays 21

FRANK CHOPP

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**Speaker of the House of Representatives**

Passed by the Senate March 7, 2006  
Yeas 44 Nays 3

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 **ENGROSSED SUBSTITUTE HOUSE BILL 3222** 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 - 3:07 p.m.

**Secretary of State  
State of Washington**

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**ENGROSSED SUBSTITUTE HOUSE BILL 3222**

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Passed Legislature - 2006 Regular Session

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

**By**            House    Committee    on    Finance    (originally    sponsored    by  
Representatives    Pettigrew,    Haler,    Chandler,    Kretz,    Hinkle,  
Kristiansen, Holmquist and Linville)

READ FIRST TIME 02/07/06.

1            AN ACT Relating to excise tax exemptions for the handling and  
2 processing of livestock manure; amending RCW 82.08.890, 82.12.890,  
3 82.08.900, and 82.12.900; amending 2001 2nd sp.s. c 18 s 1  
4 (uncodified); creating a new section; and providing an effective date.

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

6            **Sec. 1.** 2001 2nd sp.s. c 18 s 1 (uncodified) is amended to read as  
7 follows:

8            It is the intent of the legislature to provide tax exemptions to  
9 assist dairy farmers to comply with the dairy nutrient management act,  
10 chapter 90.64 RCW, to encourage owners of nondairy animal feeding  
11 operations to develop and implement approved nutrient management plans,  
12 and to assist public or private entities to establish and operate  
13 anaerobic digesters to treat ((dairy)) livestock nutrients on a  
14 regional or on-farm basis.

15            **Sec. 2.** RCW 82.08.890 and 2001 2nd sp.s. c 18 s 2 are each amended  
16 to read as follows:

17            (1) The tax levied by RCW 82.08.020 does not apply to sales to  
18 eligible persons of services rendered in respect to operating,

1 repairing, cleaning, altering, or improving of ((dairy)) livestock  
2 nutrient management equipment and facilities, or to sales of tangible  
3 personal property that becomes an ingredient or component of the  
4 equipment and facilities.

5 (2)(a) To be eligible, the equipment and facilities must be used  
6 exclusively for activities necessary to maintain a ((dairy)) livestock  
7 nutrient management plan ((as required under chapter 90.64 RCW.  
8 This)).

9 (b) The exemption applies to sales made after the ((dairy))  
10 livestock nutrient management plan is: (i) Certified under chapter  
11 90.64 RCW; (ii) approved as part of the permit issued under chapter  
12 90.48 RCW; or (iii) approved as required under subsection (4)(c)(iii)  
13 of this section.

14 ~~((2))~~ (3)(a) The department of revenue must provide an exemption  
15 certificate to an eligible person upon application by that person. The  
16 department of agriculture must provide a list of eligible persons, as  
17 defined in subsection (4)(c)(i) and (ii) of this section, to the  
18 department of revenue. Conservation districts must maintain lists of  
19 eligible persons as defined in subsection (4)(c)(iii) of this section  
20 to allow the department of revenue to verify eligibility. The  
21 application must be in a form and manner prescribed by the department  
22 and must contain information regarding the location of the dairy or  
23 animal feeding operation and other information the department may  
24 require.

25 (b) A person claiming an exemption under this section must keep  
26 records necessary for the department to verify eligibility under this  
27 section. The exemption is available only when the buyer provides the  
28 seller with an exemption certificate in a form and manner prescribed by  
29 the department. The seller must retain a copy of the certificate for  
30 the seller's files.

31 ~~((3))~~ (4) The definitions in this subsection apply to this  
32 section and RCW 82.12.890 unless the context clearly requires  
33 otherwise:

34 ~~(( "Dairy nutrient management equipment and facilities" means~~  
35 ~~machinery, equipment, and structures used in the handling and treatment~~  
36 ~~of dairy manure, such as aerators, agitators, alley scrapers, augers,~~  
37 ~~dams, gutter cleaners, loaders, lagoons, pipes, pumps, separators, and~~  
38 ~~tanks. The term also includes tangible personal property that becomes~~

1 ~~an ingredient or component of the equipment and facilities, including~~  
2 ~~repair and replacement parts))~~ "Animal feeding operation" means a lot  
3 or facility, other than an aquatic animal production facility, where  
4 the following conditions are met:

5 (i) Animals, other than aquatic animals, have been, are, or will be  
6 stabled or confined and fed or maintained for a total of forty-five  
7 days or more in any twelve-month period; and

8 (ii) Crops, vegetation, forage growth, or postharvest residues are  
9 not sustained in the normal growing season over any portion of the lot  
10 or facility.

11 (b) "Conservation district" means a subdivision of state government  
12 organized under chapter 89.08 RCW.

13 ~~((b))~~ (c) "Eligible person" means a person (i) licensed to  
14 produce milk under chapter 15.36 RCW who has a certified dairy nutrient  
15 management plan (~~by December 31, 2003~~), as required by chapter 90.64  
16 RCW; (ii) who owns an animal feeding operation and has a permit issued  
17 under chapter 90.48 RCW; or (iii) who owns an animal feeding operation  
18 and has a nutrient management plan approved by a conservation district  
19 as meeting natural resource conservation service field office technical  
20 guide standards.

21 (d) "Livestock nutrient management equipment and facilities" means  
22 machinery, equipment, and structures used in the handling and treatment  
23 of livestock manure, such as aerators, agitators, alley scrapers,  
24 augers, dams, gutter cleaners, loaders, lagoons, pipes, pumps,  
25 separators, and tanks. The term also includes tangible personal  
26 property that becomes an ingredient or component of the equipment and  
27 facilities, including repair and replacement parts.

28 (e) "Permit" means either a state waste discharge permit or a  
29 national pollutant discharge elimination system permit, or both.

30 **Sec. 3.** RCW 82.12.890 and 2003 c 5 s 15 are each amended to read  
31 as follows:

32 (1) The provisions of this chapter do not apply with respect to the  
33 use by an eligible person of tangible personal property that becomes an  
34 ingredient or component of (~~dairy~~) livestock nutrient management  
35 equipment and facilities, as defined in RCW 82.08.890, or to labor and  
36 services rendered in respect to repairing, cleaning, altering, or  
37 improving eligible tangible personal property.

1        (2)(a) To be eligible, the equipment and facilities must be used  
2 exclusively for activities necessary to maintain a ~~((dairy))~~ livestock  
3 nutrient management plan ~~((as required under chapter 90.64 RCW.~~  
4 ~~This)).~~

5        (b) The exemption applies to the use of tangible personal property  
6 or labor and services made after the ~~((dairy))~~ livestock nutrient  
7 management plan is: (i) Certified under chapter 90.64 RCW; (ii)  
8 approved as part of the permit issued under chapter 90.48 RCW; or (iii)  
9 approved as required under RCW 82.08.890(4)(c)(iii).

10        (3) The exemption certificate and recordkeeping requirements of RCW  
11 82.08.890 apply to this section. The definitions in RCW 82.08.890  
12 apply to this section.

13        **Sec. 4.** RCW 82.08.900 and 2001 2nd sp.s. c 18 s 4 are each amended  
14 to read as follows:

15        (1) The tax levied by RCW 82.08.020 does not apply to sales to an  
16 eligible person establishing or operating an anaerobic digester or to  
17 services rendered in respect to installing, constructing, repairing,  
18 cleaning, altering, or improving an anaerobic digester, or to sales of  
19 tangible personal property that becomes an ingredient or component of  
20 the anaerobic digester. The anaerobic digester must be used primarily  
21 to treat ~~((dairy))~~ livestock manure.

22        (2)(a) The department of revenue must provide an exemption  
23 certificate to an eligible person upon application by that person. The  
24 application must be in a form and manner prescribed by the department  
25 and must contain information regarding the location of the facility and  
26 other information as the department may require.

27        (b) A person claiming an exemption under this section must keep  
28 records necessary for the department to verify eligibility under this  
29 section. The exemption is available only when the buyer provides the  
30 seller with an exemption certificate in a form and manner prescribed by  
31 the department. The seller must retain a copy of the certificate for  
32 the seller's files.

33        (3) The definitions in this subsection apply to this section and  
34 RCW 82.12.900 unless the context clearly requires otherwise:

35        (a) "Anaerobic digester" means a facility that processes manure  
36 from ~~((cattle))~~ livestock into biogas and dried manure using

1 microorganisms in a decomposition process within a closed, oxygen-free  
2 container.

3 (b) "Eligible person" means any person establishing or operating an  
4 anaerobic digester to treat primarily ((~~dairy~~)) livestock manure.

5 (c) "Primarily" means more than fifty percent measured by volume or  
6 weight.

7 **Sec. 5.** RCW 82.12.900 and 2003 c 5 s 16 are each amended to read  
8 as follows:

9 The provisions of this chapter do not apply with respect to the use  
10 of anaerobic digesters, tangible personal property that becomes an  
11 ingredient or component of anaerobic digesters, or the use of services  
12 rendered in respect to installing, repairing, cleaning, altering, or  
13 improving eligible tangible personal property by an eligible person  
14 establishing or operating an anaerobic digester, as defined in RCW  
15 82.08.900. The anaerobic digester must be used primarily to treat  
16 ((~~dairy~~)) livestock manure.

17 NEW SECTION. **Sec. 6.** The conservation commission shall compile  
18 the following information on nutrient management plans written and  
19 approved by conservation districts for animal feeding operations during  
20 the 2005-2007 biennium: (1) The number of requests received to write  
21 or approve plans; (2) the number of plans completed and approved; (3)  
22 the total costs of writing and approving the plans, and the funding  
23 sources used; and (4) the relationship, if any, between the tax  
24 exemptions provided in this act and the number of plans written and  
25 approved. In its report, the commission shall compare the totals under  
26 subsections (1) through (3) of this section to the totals in the  
27 previous biennium. The conservation commission shall report this  
28 information to the appropriate committees of the legislature by  
29 December 1, 2007.

30 NEW SECTION. **Sec. 7.** This act takes effect July 1, 2006.  
Passed by the House February 11, 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.