

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE HOUSE BILL 2580

Chapter 164, Laws of 2018

65th Legislature
2018 Regular Session

RENEWABLE NATURAL GAS

EFFECTIVE DATE: July 1, 2018

Passed by the House March 8, 2018
Yeas 98 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate March 7, 2018
Yeas 47 Nays 1

CYRUS HABIB

President of the Senate

Approved March 22, 2018 10:44 AM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 2580** as passed by House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

March 26, 2018

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 2580

AS AMENDED BY THE SENATE

Passed Legislature - 2018 Regular Session

State of Washington 65th Legislature 2018 Regular Session

By House Technology & Economic Development (originally sponsored by Representatives Morris, Lytton, Fey, and Doglio; by request of Department of Commerce)

READ FIRST TIME 02/01/18.

1 AN ACT Relating to promoting renewable natural gas; amending RCW
2 82.04.260, 82.08.900, 82.08.962, 82.12.900, 82.12.962, 84.36.635, and
3 82.29A.135; creating new sections; and providing an effective date.

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

5 NEW SECTION. **Sec. 1.** This section is the tax preference
6 performance statement for the tax preferences contained in sections
7 4, 6, 8, and 9, chapter . . . , Laws of 2018 (sections 4, 6, 8, and 9
8 of this act). The performance statement is only intended to be used
9 for subsequent evaluation of the tax preferences. It is not intended
10 to create a private right of action by any party or to be used to
11 determine eligibility for preferential tax treatment.

12 (1) The legislature categorizes the tax preferences as ones
13 intended to induce certain designated behavior by taxpayers, as
14 indicated in RCW 82.32.808(2)(a).

15 (2) It is the legislature's specific public policy objective to
16 increase the production of renewable natural gas in Washington state.
17 It is the legislature's intent to reinstate and expand tax incentives
18 for certain landfills and anaerobic digesters in order to stimulate
19 investment in biogas capture and conditioning, compression, nutrient
20 recovery, and use of renewable natural gas for heating, electricity
21 generation, and transportation fuel.

1 (3) To measure the effectiveness of the tax preferences in
2 sections 4, 6, 8, and 9, chapter . . ., Laws of 2018 (sections 4, 6,
3 8, and 9 of this act) in achieving the public policy objectives
4 described in subsection (2) of this section, the joint legislative
5 audit and review committee must evaluate the number of public and
6 private landfills and anaerobic digesters producing renewable natural
7 gas in the state and the extent to which they are utilizing these
8 incentives.

9 (4) In order to obtain the data necessary to perform the review
10 in subsection (3) of this section, the department of revenue must
11 provide data needed for the joint legislative audit and review
12 committee analysis. In addition to the data source described under
13 this subsection, the joint legislative audit and review committee may
14 use any other data it deems necessary.

15 NEW SECTION. **Sec. 2.** RENEWABLE NATURAL GAS QUALITY STANDARD AND
16 REPORT TO THE LEGISLATURE. (1) By September 1, 2018, and in
17 compliance with RCW 43.01.036, the Washington State University
18 extension energy program and the department of commerce, in
19 consultation with the Washington utilities and transportation
20 commission, must submit recommendations to the governor's office and
21 the energy committees of the legislature on how to promote the
22 sustainable development of renewable natural gas in the state,
23 including a detailed inventory of the practical opportunities and
24 costs associated with renewable natural gas production in the state,
25 specific opportunities for state agencies and public facilities to
26 take advantage of renewable natural gas potential, recommendations
27 for limiting the life-cycle carbon intensity of the renewable natural
28 gas to the extent feasible, and whether to adopt a procurement
29 standard for renewable natural gas.

30 (2) The department of commerce, in consultation with the
31 department of ecology, the Washington utilities and transportation
32 commission, and the department of health, must explore development of
33 voluntary gas quality standards for the injection of renewable
34 natural gas into the natural gas pipeline system. The purpose of such
35 standards should be to identify acceptable levels of constituents of
36 concern for safety and environmental purposes, including ensuring
37 pipeline integrity, while providing reasonable and predictable access
38 to pipeline transmission and distribution facilities. The department

1 of commerce must consult industry groups and identify industry best
2 practices.

3 (3) For the purposes of this section, "renewable natural gas"
4 means a methane-rich gas derived from organic feedstocks that has
5 been conditioned to meet standards for natural gas derived from
6 fossil fuel sources.

7 **Sec. 3.** RCW 82.04.260 and 2017 c 135 s 11 are each amended to
8 read as follows:

9 (1) Upon every person engaging within this state in the business
10 of manufacturing:

11 (a) Wheat into flour, barley into pearl barley, soybeans into
12 soybean oil, canola into canola oil, canola meal, or canola by-
13 products, or sunflower seeds into sunflower oil; as to such persons
14 the amount of tax with respect to such business is equal to the value
15 of the flour, pearl barley, oil, canola meal, or canola by-product
16 manufactured, multiplied by the rate of 0.138 percent;

17 (b) Beginning July 1, 2025, seafood products that remain in a
18 raw, raw frozen, or raw salted state at the completion of the
19 manufacturing by that person; or selling manufactured seafood
20 products that remain in a raw, raw frozen, or raw salted state at the
21 completion of the manufacturing, to purchasers who transport in the
22 ordinary course of business the goods out of this state; as to such
23 persons the amount of tax with respect to such business is equal to
24 the value of the products manufactured or the gross proceeds derived
25 from such sales, multiplied by the rate of 0.138 percent. Sellers
26 must keep and preserve records for the period required by RCW
27 82.32.070 establishing that the goods were transported by the
28 purchaser in the ordinary course of business out of this state;

29 (c)(i) Except as provided otherwise in (c)(iii) of this
30 subsection, from July 1, 2025, until January 1, 2036, dairy products;
31 or selling dairy products that the person has manufactured to
32 purchasers who either transport in the ordinary course of business
33 the goods out of state or purchasers who use such dairy products as
34 an ingredient or component in the manufacturing of a dairy product;
35 as to such persons the tax imposed is equal to the value of the
36 products manufactured or the gross proceeds derived from such sales
37 multiplied by the rate of 0.138 percent. Sellers must keep and
38 preserve records for the period required by RCW 82.32.070
39 establishing that the goods were transported by the purchaser in the

1 ordinary course of business out of this state or sold to a
2 manufacturer for use as an ingredient or component in the
3 manufacturing of a dairy product.

4 (ii) For the purposes of this subsection (1)(c), "dairy products"
5 means:

6 (A) Products, not including any marijuana-infused product, that
7 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,
8 parts 131, 133, and 135, including by-products from the manufacturing
9 of the dairy products, such as whey and casein; and

10 (B) Products comprised of not less than seventy percent dairy
11 products that qualify under (c)(ii)(A) of this subsection, measured
12 by weight or volume.

13 (iii) The preferential tax rate provided to taxpayers under this
14 subsection (1)(c) does not apply to sales of dairy products on or
15 after July 1, 2023, where a dairy product is used by the purchaser as
16 an ingredient or component in the manufacturing in Washington of a
17 dairy product;

18 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,
19 preserving, freezing, processing, or dehydrating fresh fruits or
20 vegetables, or selling at wholesale fruits or vegetables manufactured
21 by the seller by canning, preserving, freezing, processing, or
22 dehydrating fresh fruits or vegetables and sold to purchasers who
23 transport in the ordinary course of business the goods out of this
24 state; as to such persons the amount of tax with respect to such
25 business is equal to the value of the products manufactured or the
26 gross proceeds derived from such sales multiplied by the rate of
27 0.138 percent. Sellers must keep and preserve records for the period
28 required by RCW 82.32.070 establishing that the goods were
29 transported by the purchaser in the ordinary course of business out
30 of this state.

31 (ii) For purposes of this subsection (1)(d), "fruits" and
32 "vegetables" do not include marijuana, useable marijuana, or
33 marijuana-infused products; and

34 ~~((Until July 1, 2009, alcohol fuel, biodiesel fuel, or
35 biodiesel feedstock, as those terms are defined in RCW 82.29A.135; as
36 to such persons the amount of tax with respect to the business is
37 equal to the value of alcohol fuel, biodiesel fuel, or biodiesel
38 feedstock manufactured, multiplied by the rate of 0.138 percent; and~~

39 ~~(f))~~ Wood biomass fuel ~~((as defined in RCW 82.29A.135))~~; as to
40 such persons the amount of tax with respect to the business is equal

1 to the value of wood biomass fuel manufactured, multiplied by the
2 rate of 0.138 percent. For the purposes of this section, "wood
3 biomass fuel" means a liquid or gaseous fuel that is produced from
4 lignocellulosic feedstocks, including wood, forest, field residue,
5 and dedicated energy crops, and that does not include wood treated
6 with chemical preservations such as creosote, pentachlorophenol, or
7 copper-chrome-arsenic.

8 (2) Upon every person engaging within this state in the business
9 of splitting or processing dried peas; as to such persons the amount
10 of tax with respect to such business is equal to the value of the
11 peas split or processed, multiplied by the rate of 0.138 percent.

12 (3) Upon every nonprofit corporation and nonprofit association
13 engaging within this state in research and development, as to such
14 corporations and associations, the amount of tax with respect to such
15 activities is equal to the gross income derived from such activities
16 multiplied by the rate of 0.484 percent.

17 (4) Upon every person engaging within this state in the business
18 of slaughtering, breaking and/or processing perishable meat products
19 and/or selling the same at wholesale only and not at retail; as to
20 such persons the tax imposed is equal to the gross proceeds derived
21 from such sales multiplied by the rate of 0.138 percent.

22 (5) Upon every person engaging within this state in the business
23 of acting as a travel agent or tour operator; as to such persons the
24 amount of the tax with respect to such activities is equal to the
25 gross income derived from such activities multiplied by the rate of
26 0.275 percent.

27 (6) Upon every person engaging within this state in business as
28 an international steamship agent, international customs house broker,
29 international freight forwarder, vessel and/or cargo charter broker
30 in foreign commerce, and/or international air cargo agent; as to such
31 persons the amount of the tax with respect to only international
32 activities is equal to the gross income derived from such activities
33 multiplied by the rate of 0.275 percent.

34 (7) Upon every person engaging within this state in the business
35 of stevedoring and associated activities pertinent to the movement of
36 goods and commodities in waterborne interstate or foreign commerce;
37 as to such persons the amount of tax with respect to such business is
38 equal to the gross proceeds derived from such activities multiplied
39 by the rate of 0.275 percent. Persons subject to taxation under this
40 subsection are exempt from payment of taxes imposed by chapter 82.16

1 RCW for that portion of their business subject to taxation under this
2 subsection. Stevedoring and associated activities pertinent to the
3 conduct of goods and commodities in waterborne interstate or foreign
4 commerce are defined as all activities of a labor, service or
5 transportation nature whereby cargo may be loaded or unloaded to or
6 from vessels or barges, passing over, onto or under a wharf, pier, or
7 similar structure; cargo may be moved to a warehouse or similar
8 holding or storage yard or area to await further movement in import
9 or export or may move to a consolidation freight station and be
10 stuffed, unstuffed, containerized, separated or otherwise segregated
11 or aggregated for delivery or loaded on any mode of transportation
12 for delivery to its consignee. Specific activities included in this
13 definition are: Wharfage, handling, loading, unloading, moving of
14 cargo to a convenient place of delivery to the consignee or a
15 convenient place for further movement to export mode; documentation
16 services in connection with the receipt, delivery, checking, care,
17 custody and control of cargo required in the transfer of cargo;
18 imported automobile handling prior to delivery to consignee; terminal
19 stevedoring and incidental vessel services, including but not limited
20 to plugging and unplugging refrigerator service to containers,
21 trailers, and other refrigerated cargo receptacles, and securing ship
22 hatch covers.

23 (8)(a) Upon every person engaging within this state in the
24 business of disposing of low-level waste, as defined in RCW
25 43.145.010; as to such persons the amount of the tax with respect to
26 such business is equal to the gross income of the business, excluding
27 any fees imposed under chapter 43.200 RCW, multiplied by the rate of
28 3.3 percent.

29 (b) If the gross income of the taxpayer is attributable to
30 activities both within and without this state, the gross income
31 attributable to this state must be determined in accordance with the
32 methods of apportionment required under RCW 82.04.460.

33 (9) Upon every person engaging within this state as an insurance
34 producer or title insurance agent licensed under chapter 48.17 RCW or
35 a surplus line broker licensed under chapter 48.15 RCW; as to such
36 persons, the amount of the tax with respect to such licensed
37 activities is equal to the gross income of such business multiplied
38 by the rate of 0.484 percent.

39 (10) Upon every person engaging within this state in business as
40 a hospital, as defined in chapter 70.41 RCW, that is operated as a

1 nonprofit corporation or by the state or any of its political
2 subdivisions, as to such persons, the amount of tax with respect to
3 such activities is equal to the gross income of the business
4 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
5 percent thereafter.

6 (11)(a) Beginning October 1, 2005, upon every person engaging
7 within this state in the business of manufacturing commercial
8 airplanes, or components of such airplanes, or making sales, at
9 retail or wholesale, of commercial airplanes or components of such
10 airplanes, manufactured by the seller, as to such persons the amount
11 of tax with respect to such business is, in the case of
12 manufacturers, equal to the value of the product manufactured and the
13 gross proceeds of sales of the product manufactured, or in the case
14 of processors for hire, equal to the gross income of the business,
15 multiplied by the rate of:

16 (i) 0.4235 percent from October 1, 2005, through June 30, 2007;
17 and

18 (ii) 0.2904 percent beginning July 1, 2007.

19 (b) Beginning July 1, 2008, upon every person who is not eligible
20 to report under the provisions of (a) of this subsection (11) and is
21 engaging within this state in the business of manufacturing tooling
22 specifically designed for use in manufacturing commercial airplanes
23 or components of such airplanes, or making sales, at retail or
24 wholesale, of such tooling manufactured by the seller, as to such
25 persons the amount of tax with respect to such business is, in the
26 case of manufacturers, equal to the value of the product manufactured
27 and the gross proceeds of sales of the product manufactured, or in
28 the case of processors for hire, be equal to the gross income of the
29 business, multiplied by the rate of 0.2904 percent.

30 (c) For the purposes of this subsection (11), "commercial
31 airplane" and "component" have the same meanings as provided in RCW
32 82.32.550.

33 (d) In addition to all other requirements under this title, a
34 person reporting under the tax rate provided in this subsection (11)
35 must file a complete annual tax performance report with the
36 department under RCW 82.32.534.

37 (e)(i) Except as provided in (e)(ii) of this subsection (11),
38 this subsection (11) does not apply on and after July 1, 2040.

39 (ii) With respect to the manufacturing of commercial airplanes or
40 making sales, at retail or wholesale, of commercial airplanes, this

1 subsection (11) does not apply on and after July 1st of the year in
2 which the department makes a determination that any final assembly or
3 wing assembly of any version or variant of a commercial airplane that
4 is the basis of a siting of a significant commercial airplane
5 manufacturing program in the state under RCW 82.32.850 has been sited
6 outside the state of Washington. This subsection (11)(e)(ii) only
7 applies to the manufacturing or sale of commercial airplanes that are
8 the basis of a siting of a significant commercial airplane
9 manufacturing program in the state under RCW 82.32.850.

10 (12)(a) Until July 1, 2024, upon every person engaging within
11 this state in the business of extracting timber or extracting for
12 hire timber; as to such persons the amount of tax with respect to the
13 business is, in the case of extractors, equal to the value of
14 products, including by-products, extracted, or in the case of
15 extractors for hire, equal to the gross income of the business,
16 multiplied by the rate of 0.4235 percent from July 1, 2006, through
17 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
18 2024.

19 (b) Until July 1, 2024, upon every person engaging within this
20 state in the business of manufacturing or processing for hire: (i)
21 Timber into timber products or wood products; or (ii) timber products
22 into other timber products or wood products; as to such persons the
23 amount of the tax with respect to the business is, in the case of
24 manufacturers, equal to the value of products, including by-products,
25 manufactured, or in the case of processors for hire, equal to the
26 gross income of the business, multiplied by the rate of 0.4235
27 percent from July 1, 2006, through June 30, 2007, and 0.2904 percent
28 from July 1, 2007, through June 30, 2024.

29 (c) Until July 1, 2024, upon every person engaging within this
30 state in the business of selling at wholesale: (i) Timber extracted
31 by that person; (ii) timber products manufactured by that person from
32 timber or other timber products; or (iii) wood products manufactured
33 by that person from timber or timber products; as to such persons the
34 amount of the tax with respect to the business is equal to the gross
35 proceeds of sales of the timber, timber products, or wood products
36 multiplied by the rate of 0.4235 percent from July 1, 2006, through
37 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
38 2024.

39 (d) Until July 1, 2024, upon every person engaging within this
40 state in the business of selling standing timber; as to such persons

1 the amount of the tax with respect to the business is equal to the
2 gross income of the business multiplied by the rate of 0.2904
3 percent. For purposes of this subsection (12)(d), "selling standing
4 timber" means the sale of timber apart from the land, where the buyer
5 is required to sever the timber within thirty months from the date of
6 the original contract, regardless of the method of payment for the
7 timber and whether title to the timber transfers before, upon, or
8 after severance.

9 (e) For purposes of this subsection, the following definitions
10 apply:

11 (i) "Biocomposite surface products" means surface material
12 products containing, by weight or volume, more than fifty percent
13 recycled paper and that also use nonpetroleum-based phenolic resin as
14 a bonding agent.

15 (ii) "Paper and paper products" means products made of interwoven
16 cellulosic fibers held together largely by hydrogen bonding. "Paper
17 and paper products" includes newsprint; office, printing, fine, and
18 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
19 kraft bag, construction, and other kraft industrial papers;
20 paperboard, liquid packaging containers, containerboard, corrugated,
21 and solid-fiber containers including linerboard and corrugated
22 medium; and related types of cellulosic products containing
23 primarily, by weight or volume, cellulosic materials. "Paper and
24 paper products" does not include books, newspapers, magazines,
25 periodicals, and other printed publications, advertising materials,
26 calendars, and similar types of printed materials.

27 (iii) "Recycled paper" means paper and paper products having
28 fifty percent or more of their fiber content that comes from
29 postconsumer waste. For purposes of this subsection (12)(e)(iii),
30 "postconsumer waste" means a finished material that would normally be
31 disposed of as solid waste, having completed its life cycle as a
32 consumer item.

33 (iv) "Timber" means forest trees, standing or down, on privately
34 or publicly owned land. "Timber" does not include Christmas trees
35 that are cultivated by agricultural methods or short-rotation
36 hardwoods as defined in RCW 84.33.035.

37 (v) "Timber products" means:

38 (A) Logs, wood chips, sawdust, wood waste, and similar products
39 obtained wholly from the processing of timber, short-rotation
40 hardwoods as defined in RCW 84.33.035, or both;

1 (B) Pulp, including market pulp and pulp derived from recovered
2 paper or paper products; and

3 (C) Recycled paper, but only when used in the manufacture of
4 biocomposite surface products.

5 (vi) "Wood products" means paper and paper products; dimensional
6 lumber; engineered wood products such as particleboard, oriented
7 strand board, medium density fiberboard, and plywood; wood doors;
8 wood windows; and biocomposite surface products.

9 (f) Except for small harvesters as defined in RCW 84.33.035, a
10 person reporting under the tax rate provided in this subsection (12)
11 must file a complete annual tax performance report with the
12 department under RCW 82.32.534.

13 (13) Upon every person engaging within this state in inspecting,
14 testing, labeling, and storing canned salmon owned by another person,
15 as to such persons, the amount of tax with respect to such activities
16 is equal to the gross income derived from such activities multiplied
17 by the rate of 0.484 percent.

18 (14)(a) Upon every person engaging within this state in the
19 business of printing a newspaper, publishing a newspaper, or both,
20 the amount of tax on such business is equal to the gross income of
21 the business multiplied by the rate of 0.35 percent until July 1,
22 2024, and 0.484 percent thereafter.

23 (b) A person reporting under the tax rate provided in this
24 subsection (14) must file a complete annual tax performance report
25 with the department under RCW 82.32.534.

26 **Sec. 4.** RCW 82.08.900 and 2015 c 86 s 202 are each amended to
27 read as follows:

28 (1) The tax levied by RCW 82.08.020 does not apply to sales to an
29 eligible person:

30 (a) In respect to equipment necessary to process biogas from a
31 landfill into marketable coproducts, including but not limited to
32 biogas conditioning, compression, and electrical generation
33 equipment, or to services rendered in respect to installing,
34 constructing, repairing, cleaning, altering, or improving equipment
35 necessary to process biogas from a landfill into marketable
36 coproducts; and

37 (b) Establishing or operating an anaerobic digester or to
38 services rendered in respect to installing, constructing, repairing,
39 cleaning, altering, or improving an anaerobic digester, or to sales

1 of tangible personal property that becomes an ingredient or component
2 of the anaerobic digester. (~~The anaerobic digester must be used~~
3 ~~primarily to treat livestock manure.~~)

4 (2) A person claiming an exemption under this section must keep
5 records necessary for the department to verify eligibility under this
6 section. Sellers may make tax exempt sales under this section only if
7 the buyer provides the seller with an exemption certificate in a form
8 and manner prescribed by the department. The seller must retain a
9 copy of the certificate for the seller's files.

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

12 (a) "Anaerobic digester" means a facility that processes (~~manure~~
13 ~~from livestock into biogas and dried manure~~) organic material into
14 biogas and digestate using microorganisms in a decomposition process
15 within a closed, oxygen-free container as well as the equipment
16 necessary to process biogas or digestate produced by an anaerobic
17 digester into marketable coproducts, including but not limited to
18 biogas conditioning, compression, nutrient recovery, and electrical
19 generation equipment.

20 (b) "Eligible person" means any person establishing or operating
21 an anaerobic digester (~~to treat primarily livestock manure~~) or
22 landfill or processing biogas from an anaerobic digester or landfill
23 into marketable coproducts.

24 (~~(c) "Primarily" means more than fifty percent measured by~~
25 ~~volume or weight.~~)

26 **Sec. 5.** RCW 82.08.962 and 2017 3rd sp.s. c 36 s 14 are each
27 amended to read as follows:

28 (1)(a) Except as provided in RCW 82.08.963, purchasers who have
29 paid the tax imposed by RCW 82.08.020 on machinery and equipment used
30 directly in generating electricity using fuel cells, wind, sun,
31 biomass energy, tidal or wave energy, geothermal resources,
32 (~~anaerobic digestion,~~) or technology that converts otherwise lost
33 energy from exhaust, (~~or landfill gas~~) as the principal source of
34 power, or to sales of or charges made for labor and services rendered
35 in respect to installing such machinery and equipment, are eligible
36 for an exemption as provided in this section, but only if the
37 purchaser develops with such machinery, equipment, and labor a
38 facility capable of generating not less than one thousand watts of
39 electricity.

1 (b) (~~Beginning on July 1, 2009, through June 30, 2011, the tax~~
2 ~~levied by RCW 82.08.020 does not apply to the sale of machinery and~~
3 ~~equipment described in (a) of this subsection that are used directly~~
4 ~~in generating electricity or to sales of or charges made for labor~~
5 ~~and services rendered in respect to installing such machinery and~~
6 ~~equipment.~~

7 ~~(e))~~ Beginning on July 1, 2011, through January 1, 2020, the
8 amount of the exemption under this subsection (1) is equal to
9 seventy-five percent of the state and local sales tax paid. The
10 purchaser is eligible for an exemption under this subsection (1)
11 (~~(e))~~ (b) in the form of a remittance.

12 (2) For purposes of this section and RCW 82.12.962, the following
13 definitions apply:

14 (a) "Biomass energy" includes: (i) By-products of pulping and
15 wood manufacturing process; (ii) animal waste; (iii) solid organic
16 fuels from wood; (iv) forest or field residues; (v) wooden demolition
17 or construction debris; (vi) food waste; (vii) liquors derived from
18 algae and other sources; (viii) dedicated energy crops; (ix)
19 biosolids; and (x) yard waste. "Biomass energy" does not include wood
20 pieces that have been treated with chemical preservatives such as
21 creosote, pentachlorophenol, or copper-chrome-arsenic; wood from old
22 growth forests; or municipal solid waste.

23 (b) "Fuel cell" means an electrochemical reaction that generates
24 electricity by combining atoms of hydrogen and oxygen in the presence
25 of a catalyst.

26 ~~(c) ("Landfill gas" means biomass fuel, of the type qualified~~
27 ~~for federal tax credits under Title 26 U.S.C. Sec. 29 of the federal~~
28 ~~internal revenue code, collected from a "landfill" as defined under~~
29 ~~RCW 70.95.030.~~

30 ~~(d))~~(i) "Machinery and equipment" means fixtures, devices, and
31 support facilities that are integral and necessary to the generation
32 of electricity using fuel cells, wind, sun, biomass energy, tidal or
33 wave energy, geothermal resources, (~~anaerobic digestion,~~) or
34 technology that converts otherwise lost energy from exhaust(~~(, or~~
35 ~~landfill gas as the principal source of power))~~).

36 (ii) "Machinery and equipment" does not include: (A) Hand-powered
37 tools; (B) property with a useful life of less than one year; (C)
38 repair parts required to restore machinery and equipment to normal
39 working order; (D) replacement parts that do not increase
40 productivity, improve efficiency, or extend the useful life of

1 machinery and equipment; (E) buildings; or (F) building fixtures that
2 are not integral and necessary to the generation of electricity that
3 are permanently affixed to and become a physical part of a building.

4 (3)(a) Machinery and equipment is "used directly" in generating
5 electricity by wind energy, solar energy, biomass energy, tidal or
6 wave energy, geothermal resources, (~~(anaerobic digestion)~~) or
7 technology that converts otherwise lost energy from exhaust(~~(or~~
8 ~~landfill gas power~~)) if it provides any part of the process that
9 captures the energy of the wind, sun, biomass energy, tidal or wave
10 energy, geothermal resources, (~~(anaerobic digestion)~~) or technology
11 that converts otherwise lost energy from exhaust, (~~(or~~
12 ~~gas~~)) converts that energy to electricity, and stores, transforms,
13 or transmits that electricity for entry into or operation in parallel
14 with electric transmission and distribution systems.

15 (b) Machinery and equipment is "used directly" in generating
16 electricity by fuel cells if it provides any part of the process that
17 captures the energy of the fuel, converts that energy to electricity,
18 and stores, transforms, or transmits that electricity for entry into
19 or operation in parallel with electric transmission and distribution
20 systems.

21 (4)(a) A purchaser claiming an exemption in the form of a
22 remittance under subsection (1)(~~(e)~~) (b) of this section must pay
23 the tax imposed by RCW 82.08.020 and all applicable local sales taxes
24 imposed under the authority of chapters 82.14 and 81.104 RCW. The
25 purchaser may then apply to the department for remittance in a form
26 and manner prescribed by the department. A purchaser may not apply
27 for a remittance under this section more frequently than once per
28 quarter. The purchaser must specify the amount of exempted tax
29 claimed and the qualifying purchases for which the exemption is
30 claimed. The purchaser must retain, in adequate detail, records to
31 enable the department to determine whether the purchaser is entitled
32 to an exemption under this section, including: Invoices; proof of tax
33 paid; and documents describing the machinery and equipment.

34 (b) The department must determine eligibility under this section
35 based on the information provided by the purchaser, which is subject
36 to audit verification by the department. The department must on a
37 quarterly basis remit exempted amounts to qualifying purchasers who
38 submitted applications during the previous quarter.

39 (5) The exemption provided by this section expires September 30,
40 2017, as it applies to: (a) Machinery and equipment that is used

1 directly in the generation of electricity using solar energy and
2 capable of generating no more than five hundred kilowatts of
3 electricity; or (b) sales of or charges made for labor and services
4 rendered in respect to installing such machinery and equipment.

5 (6) This section expires January 1, 2020.

6 **Sec. 6.** RCW 82.12.900 and 2006 c 151 s 5 are each amended to
7 read as follows:

8 The provisions of this chapter do not apply with respect to:

9 (1) Equipment necessary to process biogas from a landfill into
10 marketable coproducts, including but not limited to biogas
11 conditioning, compression, and electrical generation equipment, or to
12 services rendered in respect to installing, constructing, repairing,
13 cleaning, altering, or improving equipment necessary to process
14 biogas from a landfill into marketable coproducts; and

15 (2) The use of anaerobic digesters, tangible personal property
16 that becomes an ingredient or component of anaerobic digesters, or
17 the use of services rendered in respect to installing, repairing,
18 cleaning, altering, or improving eligible tangible personal property
19 by an eligible person establishing or operating an anaerobic
20 digester, as defined in RCW 82.08.900. ((The anaerobic digester must
21 be used primarily to treat livestock manure.))

22 **Sec. 7.** RCW 82.12.962 and 2017 3rd sp.s. c 36 s 16 are each
23 amended to read as follows:

24 (1)(a) Except as provided in RCW 82.12.963, consumers who have
25 paid the tax imposed by RCW 82.12.020 on machinery and equipment used
26 directly in generating electricity using fuel cells, wind, sun,
27 biomass energy, tidal or wave energy, geothermal resources,
28 ~~((anaerobic digestion,))~~ or technology that converts otherwise lost
29 energy from exhaust, ~~((or landfill gas as the principal source of~~
30 ~~power,))~~ or to sales of or charges made for labor and services
31 rendered in respect to installing such machinery and equipment, are
32 eligible for an exemption as provided in this section, but only if
33 the purchaser develops with such machinery, equipment, and labor a
34 facility capable of generating not less than one thousand watts of
35 electricity.

36 ~~(b) ((Beginning on July 1, 2009, through June 30, 2011, the~~
37 ~~provisions of this chapter do not apply in respect to the use of~~
38 ~~machinery and equipment described in (a) of this subsection that are~~

1 ~~used directly in generating electricity or to sales of or charges~~
2 ~~made for labor and services rendered in respect to installing such~~
3 ~~machinery and equipment.~~

4 ~~(e))~~ Beginning on July 1, 2011, through January 1, 2020, the
5 amount of the exemption under this subsection (1) is equal to
6 seventy-five percent of the state and local sales tax paid. The
7 consumer is eligible for an exemption under this subsection (1)
8 ~~((e))~~ (b) in the form of a remittance.

9 (2)(a) A person claiming an exemption in the form of a remittance
10 under subsection (1)~~((e))~~ (b) of this section must pay the tax
11 imposed by RCW 82.12.020 and all applicable local use taxes imposed
12 under the authority of chapters 82.14 and 81.104 RCW. The consumer
13 may then apply to the department for remittance in a form and manner
14 prescribed by the department. A consumer may not apply for a
15 remittance under this section more frequently than once per quarter.
16 The consumer must specify the amount of exempted tax claimed and the
17 qualifying purchases or acquisitions for which the exemption is
18 claimed. The consumer must retain, in adequate detail, records to
19 enable the department to determine whether the consumer is entitled
20 to an exemption under this section, including: Invoices; proof of tax
21 paid; and documents describing the machinery and equipment.

22 (b) The department must determine eligibility under this section
23 based on the information provided by the consumer, which is subject
24 to audit verification by the department. The department must on a
25 quarterly basis remit exempted amounts to qualifying consumers who
26 submitted applications during the previous quarter.

27 (3) Purchases exempt under RCW 82.08.962 are also exempt from the
28 tax imposed under RCW 82.12.020.

29 (4) The definitions in RCW 82.08.962 apply to this section.

30 (5) The exemption provided in subsection (1) of this section does
31 not apply:

32 (a) To machinery and equipment used directly in the generation of
33 electricity using solar energy and capable of generating no more than
34 five hundred kilowatts of electricity, or to sales of or charges made
35 for labor and services rendered in respect to installing such
36 machinery and equipment, when first use within this state of such
37 machinery and equipment, or labor and services, occurs after
38 September 30, 2017; and

39 (b) To any other machinery and equipment described in subsection
40 (1)(a) of this section, or to sales of or charges made for labor and

1 services rendered in respect to installing such machinery or
2 equipment, when first use within this state of such machinery and
3 equipment, or labor and services, occurs after December 31, 2019.

4 (6) This section expires January 1, 2020.

5 **Sec. 8.** RCW 84.36.635 and 2010 1st sp.s. c 11 s 4 are each
6 amended to read as follows:

7 (1) For the purposes of this section(~~(+~~

8 ~~(a) "Alcohol fuel" means any alcohol made from a product other~~
9 ~~than petroleum or natural gas, which is used alone or in combination~~
10 ~~with gasoline or other petroleum products for use as a fuel for motor~~
11 ~~vehicles, farm implements, and machines or implements of husbandry.~~

12 ~~(b))~~, "anaerobic digester" has the same meaning as provided in
13 RCW 82.08.900.

14 ~~((c) "Biodiesel feedstock" means oil that is produced from an~~
15 ~~agricultural crop for the sole purpose of ultimately producing~~
16 ~~biodiesel fuel.~~

17 ~~(d) "Biodiesel fuel" means a mono alkyl ester of long chain fatty~~
18 ~~acids derived from vegetable oils or animal fats for use in~~
19 ~~compression ignition engines and that meets the requirements of the~~
20 ~~American society of testing and materials specification D 6751 in~~
21 ~~effect as of January 1, 2003.))~~

22 (2)((~~(a)~~)) All buildings, machinery, equipment, and other
23 personal property which are used primarily for (~~the manufacturing of~~
24 ~~alcohol fuel, biodiesel fuel, biodiesel feedstock, or~~) the operation
25 of an anaerobic digester, the land upon which this property is
26 located, and land that is reasonably necessary in the (~~manufacturing~~
27 ~~of alcohol fuel, biodiesel fuel, biodiesel feedstock, or the~~)
28 operation of an anaerobic digester, (~~but not land necessary for~~
29 ~~growing of crops, which together comprise a new manufacturing~~
30 ~~facility or an addition to an existing manufacturing facility,~~) are
31 exempt from property taxation for the six assessment years following
32 the date on which the facility or the addition to the existing
33 facility becomes operational.

34 (~~(b) For manufacturing facilities which produce products in~~
35 ~~addition to alcohol fuel, biodiesel fuel, or biodiesel feedstock, the~~
36 ~~amount of the property tax exemption is based upon the annual~~
37 ~~percentage of the total value of all products manufactured that is~~
38 ~~the value of the alcohol fuel, biodiesel fuel, and biodiesel~~
39 ~~feedstock manufactured.))~~

1 (3) Claims for exemptions authorized by this section must be
2 filed with the county assessor on forms prescribed by the department
3 of revenue and furnished by the assessor. Once filed, the exemption
4 is valid for six ~~((years))~~ assessment years following the date on
5 which the facility or the addition to the existing facility becomes
6 operational and may not be renewed. The assessor must verify and
7 approve claims as the assessor determines to be justified and in
8 accordance with this section. No claims may be filed after December
9 31, ~~((2015, except for claims for anaerobic digesters, which may be~~
10 ~~filed no later than December 31, 2012))~~ 2024.

11 (4) The department of revenue may promulgate such rules, pursuant
12 to chapter 34.05 RCW, as necessary to properly administer this
13 section.

14 **Sec. 9.** RCW 82.29A.135 and 2010 1st sp.s. c 11 s 6 are each
15 amended to read as follows:

16 (1) For the purposes of this section(~~(+~~

17 ~~(a) "Alcohol fuel" means any alcohol made from a product other~~
18 ~~than petroleum or natural gas, which is used alone or in combination~~
19 ~~with gasoline or other petroleum products for use as a fuel for motor~~
20 ~~vehicles, farm implements, and machines or implements of husbandry.~~

21 ~~(b))~~, "anaerobic digester" has the same meaning as provided in
22 RCW 82.08.900.

23 ~~((c) "Biodiesel feedstock" means oil that is produced from an~~
24 ~~agricultural crop for the sole purpose of ultimately producing~~
25 ~~biodiesel fuel.~~

26 ~~(d) "Biodiesel fuel" means a mono alkyl ester of long chain fatty~~
27 ~~acids derived from vegetable oils or animal fats for use in~~
28 ~~compression ignition engines and that meets the requirements of the~~
29 ~~American society of testing and materials specification D 6751 in~~
30 ~~effect as of January 1, 2003.~~

31 ~~(e) "Wood biomass fuel" means a pyrolytic liquid fuel or~~
32 ~~synthesis gas derived liquid fuel, used in internal combustion~~
33 ~~engines, and produced from wood, forest, or field residue, or~~
34 ~~dedicated energy crops that do not include wood pieces that have been~~
35 ~~treated with chemical preservatives such as creosote,~~
36 ~~pentachlorophenol, or copper-chrome-arsenic.))~~

37 (2)~~((a))~~ All leasehold interests in buildings, machinery,
38 equipment, and other personal property which are used primarily for
39 ~~((the manufacturing of alcohol fuel, wood biomass fuel, biodiesel~~

1 fuel, ~~biodiesel feedstock, or~~) the operation of an anaerobic
2 digester, the land upon which this property is located, and land that
3 is reasonably necessary in the (~~manufacturing of alcohol fuel, wood~~
4 ~~biomass fuel, biodiesel fuel, biodiesel feedstock, or the~~) operation
5 of an anaerobic digester(~~(, but not land necessary for growing of~~
6 ~~crops, which together comprise a new manufacturing facility or an~~
7 ~~addition to an existing manufacturing facility,~~) are exempt from
8 leasehold taxes for a period of six years from the date on which the
9 facility or the addition to the existing facility becomes
10 operational.

11 (~~(b) For manufacturing facilities which produce products in~~
12 ~~addition to alcohol fuel, wood biomass fuel, biodiesel fuel, or~~
13 ~~biodiesel feedstock, the amount of the leasehold tax exemption is~~
14 ~~based upon the annual percentage of the total value of all products~~
15 ~~manufactured that is the value of the alcohol fuel, wood biomass~~
16 ~~fuel, biodiesel fuel, and biodiesel feedstock manufactured.))~~

17 (3) Claims for exemptions authorized by this section must be
18 filed with the department of revenue on forms prescribed by the
19 department of revenue and furnished by the department of revenue.
20 Once filed, the exemption is valid for six (~~years~~) assessment years
21 following the date on which the facility or the addition to the
22 existing facility becomes operational and may not be renewed. The
23 department of revenue must verify and approve claims as the
24 department of revenue determines to be justified and in accordance
25 with this section. No claims may be filed after December 31, (~~2015,~~
26 ~~except for claims for anaerobic digesters, which may be filed no~~
27 ~~later than December 31, 2012~~) 2024.

28 (4) The department of revenue may promulgate such rules, pursuant
29 to chapter 34.05 RCW, as are necessary to properly administer this
30 section.

31 NEW SECTION. **Sec. 10.** This act takes effect July 1, 2018.

Passed by the House March 8, 2018.

Passed by the Senate March 7, 2018.

Approved by the Governor March 22, 2018.

Filed in Office of Secretary of State March 26, 2018.

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