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**SUBSTITUTE SENATE BILL 6383**

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**State of Washington**

**53rd Legislature**

**1994 Regular Session**

**By** Senate Committee on Ways & Means (originally sponsored by Senators M. Rasmussen, Bluechel, Skratek, Sheldon, Erwin, Anderson and Haugen)

Read first time 02/08/94.

1 AN ACT Relating to a use tax exemption for custom designed and  
2 constructed equipment used in manufacturing; and creating a new  
3 section.

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

5 NEW SECTION. **Sec. 1.** (1) Because the use tax applies to labor and  
6 materials used to construct specialized equipment used in  
7 manufacturing, the development of new manufacturing businesses and  
8 expansion of existing businesses may be inhibited, especially in  
9 capital intensive industries. The department of revenue shall conduct  
10 a study to determine the fiscal and economic effects of exempting  
11 specialized equipment used in manufacturing from the use tax. In  
12 conducting the study, the department shall consider options which would  
13 minimize the fiscal impact on the state general fund while exempting  
14 many small manufacturing businesses. The department may conduct this  
15 study as a part of any other study on manufacturers that may be  
16 required by the legislature.

17 (2) The department of revenue shall present a final report of the  
18 findings of the study to the committees of the legislature that deal  
19 with revenue matters no later than December 31, 1994.

1       (3) As used in this section, "specialized equipment" means  
2 equipment:  
3       (a) That is of original design and is not otherwise available;  
4       (b) On which sales tax has been paid on all of the materials and  
5 components used in the construction of the equipment;  
6       (c) That is primarily designed and assembled by the same firm that  
7 uses the equipment for manufacturing other items; and  
8       (d) The value of which, assuming a reasonable cost for labor and  
9 overhead of the firm that designed and assembled the equipment, does  
10 not exceed fifty thousand dollars.

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