

CERTIFICATION OF ENROLLMENT

SENATE BILL 6348

Chapter 330, Laws of 1998

(partial veto)

55th Legislature
1998 Regular Session

MANUFACTURING MACHINERY AND EQUIPMENT--ELIMINATING CERTIFICATE AND
SUMMARY REQUIREMENTS FOR SALES AND USE TAX EXEMPTIONS

EFFECTIVE DATE: 6/11/98

Passed by the Senate March 9, 1998
YEAS 48 NAYS 0

BRAD OWEN

President of the Senate

Passed by the House March 4, 1998
YEAS 97 NAYS 0

CLYDE BALLARD

**Speaker of the
House of Representatives**

Approved April 3, 1998, with the
exception of sections 3 and 4, which
are vetoed.

GARY LOCKE

Governor of the State of Washington

CERTIFICATE

I, Mike O Connell, Secretary of the
Senate of the State of Washington, do
hereby certify that the attached is
SENATE BILL 6348 as passed by the
Senate and the House of
Representatives on the dates hereon
set forth.

MIKE O'CONNELL

Secretary

FILED

April 3, 1998 - 3:07 p.m.

**Secretary of State
State of Washington**

SENATE BILL 6348

AS AMENDED BY THE HOUSE

Passed Legislature - 1998 Regular Session

State of Washington 55th Legislature 1998 Regular Session

By Senators Hale and Haugen; by request of Department of Revenue

Read first time 01/16/98. Referred to Committee on Government Operations.

1 AN ACT Relating to eliminating requirements for filing certificates
2 or annual summaries for sales and use tax exemptions on manufacturing
3 machinery and equipment; amending RCW 82.12.02565; reenacting and
4 amending RCW 82.08.02565; creating a new section; and providing an
5 effective date.

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

7 **Sec. 1.** RCW 82.08.02565 and 1996 c 247 s 2 and 1996 c 173 s 3 are
8 each reenacted and amended to read as follows:

9 (1) The tax levied by RCW 82.08.020 shall not apply to sales to a
10 manufacturer or processor for hire of machinery and equipment used
11 directly in a manufacturing operation or research and development
12 operation, or to sales of or charges made for labor and services
13 rendered in respect to installing, repairing, cleaning, altering, or
14 improving the machinery and equipment, but only when the purchaser
15 provides the seller with an exemption certificate in a form and manner
16 prescribed by the department by rule(~~(, and the purchaser provides the~~
17 ~~department with a duplicate of the certificate or a summary of exempt~~
18 ~~sales as the department may require)~~). The seller shall retain a copy
19 of the certificate for the seller's files.

1 (2) For purposes of this section and RCW 82.12.02565:
2 (a) "Machinery and equipment" means industrial fixtures, devices,
3 and support facilities, and tangible personal property that becomes an
4 ingredient or component thereof, including repair parts and replacement
5 parts. "Machinery and equipment" includes pollution control equipment
6 installed and used in a manufacturing operation or research and
7 development operation to prevent air pollution, water pollution, or
8 contamination that might otherwise result from the manufacturing
9 operation or research and development operation.
10 (b) "Machinery and equipment" does not include:
11 (i) Hand tools;
12 (ii) Property with a useful life of less than one year;
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 or research and development operation that are permanently
17 affixed to and become a physical part of a building, such as utility
18 systems for heating, ventilation, air conditioning, communications,
19 plumbing, or electrical.
20 (c) Machinery and equipment is "used directly" in a manufacturing
21 operation or research and development operation if the machinery and
22 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;
27 (iii) Controls, guides, measures, verifies, aligns, regulates, or
28 tests tangible personal property;
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 or research and development operation;
34 (vii) Places tangible personal property in the container, package,
35 or wrapping in which the tangible personal property is normally sold or
36 transported; or
37 (viii) Is integral to research and development as defined in RCW
38 82.63.010.

1 (d) "Manufacturing operation" means the manufacturing of articles,
2 substances, or commodities for sale as tangible personal property. The
3 manufacturing operation begins at the point where the raw materials
4 enter the manufacturing site and ends at the point where the finished
5 product 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 **Sec. 2.** RCW 82.12.02565 and 1996 c 247 s 3 are each amended to
18 read as follows:

19 The provisions of this chapter shall not apply in respect to the
20 use by a manufacturer or processor for hire of machinery and equipment
21 used directly in a manufacturing operation or research and development
22 operation(~~(, but only when the user provides the department with:~~

23 ~~(1) An exemption certificate in a form and manner prescribed by the~~
24 ~~department within sixty days of the first use of the machinery and~~
25 ~~equipment in this state; or~~

26 ~~(2) An annual summary listing the machinery and equipment by~~
27 ~~January 31 of the year following the calendar year in which the~~
28 ~~machinery and equipment is first used in this state)).~~

29 ****NEW SECTION. Sec. 3. The department shall not deny exemptions***
30 ***under RCW 82.08.02565 or 82.12.02565 solely on the basis of failure to***
31 ***comply with duplicate certificate or summary filing requirements. The***
32 ***amendments of RCW 82.08.02565 or 82.12.02565 in this act do not***
33 ***terminate requirements to file duplicate certificates or summaries in***
34 ***respect to exemptions claimed for periods before January 1, 1999.***

35 ****Sec. 3 was vetoed. See message at end of chapter.***

1 *NEW SECTION. *Sec. 4. Sections 1 and 2 of this act take effect*
2 *January 1, 1999.*

3 *Sec. 4 was vetoed. See message at end of chapter.

 Passed the Senate March 9, 1998.

 Passed the House March 4, 1998.

 Approved by the Governor April 3, 1998, with the exception of
 certain items that were vetoed.

 Filed in Office of Secretary of State April 3, 1998.

1 Note: Governor's explanation of partial veto is as follows:

2 "I am returning herewith, without my approval as to sections 3 and
3 4 of Senate Bill No. 6348 entitled:

4 "AN ACT Relating to eliminating requirements for filing
5 certificates or annual summaries for sales and use tax exemptions
6 on manufacturing machinery and equipment;"

7 Senate Bill No. 6348 amends the state retail sales and use tax
8 statutes to relieve taxpayers of the burden of making reports and
9 annual summaries of tax exempt purchases, for submission to the
10 Department of Revenue.

11 One of my goals as Governor is the simplification of our tax system
12 and the reduction of regulations for businesses. The Department of
13 Revenue developed this legislation in an effort to reach that goal.
14 The original intent of the bill was to immediately relieve taxpayers
15 eligible for the machinery and equipment tax exemption from the burden
16 of submitting duplicate exemption certificates or purchase summaries to
17 the Department.

18 The Legislature amended the bill by adding sections 3 and 4.
19 Section 4 would require taxpayers to submit, for an additional six
20 months, reports of machinery and equipment purchases before qualifying
21 for the sales and use tax exemption. However, section 3 would not
22 require the Department to deny exemptions if the taxpayers did not send
23 in reports. This would create conflicting policies and extend the
24 period during which businesses must submit redundant paperwork to the
25 Department. This is unnecessary, burdensome, and contrary to the
26 bill's original purpose.

27 For these reasons, I have vetoed sections 3 and 4 of Senate Bill
28 No. 6348.

29 With the exception of sections 3 and 4, Senate Bill No. 6348 is
30 approved."