
SUBSTITUTE SENATE BILL 6646

State of Washington

58th Legislature

2004 Regular Session

By Senate Committee on Natural Resources, Energy & Water (originally sponsored by Senators Murray, Kline, Sheahan, Poulsen, Swecker, Kohl-Welles and Benton)

READ FIRST TIME 02/09/04.

1 AN ACT Relating to tax incentives for alternative fuels; amending
2 RCW 82.68.010, 82.68.030, 82.04.4334, 82.08.955, and 82.12.955;
3 reenacting and amending RCW 82.04.260 and 82.04.260; adding a new
4 chapter to Title 82 RCW; creating a new section; repealing RCW
5 82.68.040; providing an effective date; and providing contingent
6 expiration dates.

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

8 NEW SECTION. **Sec. 1.** The definitions in this section apply
9 throughout this chapter unless the context clearly requires otherwise.

10 (1) "Alcohol fuel" has the same meaning as provided in RCW
11 82.29A.135.

12 (2) "Applicant" means a person applying for a tax deferral under
13 this chapter.

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

17 (4) "Biodiesel fuel" means a mono alkyl ester of long chain fatty
18 acids derived from vegetable oils or animal fats for use in

1 compression-ignition engines and that meets the requirements of the
2 American society of testing and materials specification D 6751 in
3 effect as of January 1, 2003.

4 (5)(a) "Eligible investment project" means an investment project
5 that meets the criteria in (b) and (c) of this subsection.

6 (b) The lessor or owner of a qualified building is not eligible for
7 a deferral unless the underlying ownership of the buildings, machinery,
8 and equipment vests exclusively in the same person, or unless the
9 lessor by written contract agrees to pass the economic benefit of the
10 deferral to the lessee in the form of reduced rent payments.

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, 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 that have already received deferrals under
17 this chapter.

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

20 (7) "Department," "investment project," "manufacturing," "person,"
21 "qualified buildings," "qualified machinery and equipment," and
22 "research and development" have the same meaning as in RCW 82.60.020.

23 NEW SECTION. **Sec. 2.** Application, reporting, administrative, and
24 confidentiality requirements relating to deferral of taxes under this
25 chapter are the same as those in RCW 82.60.030, 82.60.040(2),
26 82.60.060(3), 82.60.070 (1) and (2), 82.60.080, 82.60.090, and
27 82.60.100 for tax deferrals for investment projects in rural counties
28 under chapter 82.60 RCW.

29 NEW SECTION. **Sec. 3.** (1) The department shall issue a sales and
30 use tax deferral certificate for state and local sales and use taxes
31 due under chapters 82.08, 82.12, and 82.14 RCW on each eligible
32 investment project, if the investment project is undertaken for the
33 purpose of manufacturing biodiesel, biodiesel feedstock, or alcohol
34 fuel.

35 (2) This section expires the earlier of:

36 (a) July 1, 2009; or

1 (b) July 1st of the fiscal year following the first calendar year
2 in which the volume of biodiesel fuel manufactured in Washington
3 exceeds twenty percent of the total of the volume of diesel fuel and
4 biodiesel fuel manufactured in Washington, as determined by the
5 department, in consultation with the department of community, trade,
6 and economic development, using data reported by the federal energy
7 information administration.

8 NEW SECTION. **Sec. 4.** Deferred taxes need not be repaid if the
9 department determines that the recipient has met the requirements of
10 this chapter for the seven calendar years following the certification
11 by the department that the investment project has been operationally
12 completed.

13 **Sec. 5.** RCW 82.68.010 and 2003 c 261 s 1 are each amended to read
14 as follows:

15 Unless the context clearly requires otherwise, the definitions in
16 this section apply throughout this chapter.

17 (1) "Alcohol fuel" has the same meaning as provided in RCW
18 82.29A.135.

19 (2) "Applicant" means a person applying for a tax deferral under
20 this chapter.

21 (3) "Biodiesel feedstock" means oil that is produced from an
22 agricultural crop for the sole purpose of ultimately producing
23 biodiesel fuel.

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

29 (5) "Department" means the department of revenue.

30 (6) (~~"Eligible area" means a county with fewer than one hundred~~
31 ~~persons per square mile as determined annually by the office of~~
32 ~~financial management and published by the department effective for the~~
33 ~~period July 1st through June 30th, or a county that has a population of~~
34 ~~less than two hundred twenty five thousand as determined by the office~~
35 ~~of financial management and has an area greater than two hundred~~
36 ~~twenty five square miles.~~

1 ~~(7)~~) (a) "Eligible investment project" means an investment project
2 (~~in an eligible area~~) that meets the criteria in (b) and (c) of this
3 subsection.

4 (b) The lessor or owner of a qualified building is not eligible for
5 a deferral unless the underlying ownership of the buildings, machinery,
6 and equipment vests exclusively in the same person, or unless the
7 lessor by written contract agrees to pass the economic benefit of the
8 deferral to the lessee in the form of reduced rent payments.

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

16 (~~(8)~~) (7) "Investment project" means an investment in qualified
17 buildings or qualified machinery and equipment, including labor and
18 services rendered in the planning, installation, and construction of
19 the project.

20 (~~(9)~~) (8) "Manufacturing" means the same as defined in RCW
21 82.04.120. "Manufacturing" also includes computer programming, the
22 production of computer software, and other computer-related services,
23 and the activities performed by research and development laboratories
24 and commercial testing laboratories.

25 (~~(10)~~) (9) "Person" has the meaning given in RCW 82.04.030.

26 (~~(11)~~) (10) "Qualified buildings" means construction of new
27 structures, and expansion or renovation of existing structures for the
28 purpose of increasing floor space or production capacity used for
29 manufacturing and research and development activities, including plant
30 offices and warehouses or other facilities for the storage of raw
31 material or finished goods if such facilities are an essential or an
32 integral part of a factory, mill, plant, or laboratory used for
33 manufacturing or research and development. If a building is used
34 partly for manufacturing or research and development and partly for
35 other purposes, the applicable tax deferral shall be determined by
36 apportionment of the costs of construction under rules adopted by the
37 department.

1 ~~((12))~~ (11) "Qualified machinery and equipment" means all new
2 industrial and research fixtures, equipment, and support facilities
3 that are an integral and necessary part of a manufacturing or research
4 and development operation. "Qualified machinery and equipment"
5 includes: Computers; software; data processing equipment; laboratory
6 equipment; manufacturing components such as belts, pulleys, shafts, and
7 moving parts; molds, tools, and dies; operating structures; and all
8 equipment used to control or operate the machinery.

9 ~~((13))~~ (12) "Recipient" means a person receiving a tax deferral
10 under this chapter.

11 ~~((14))~~ (13) "Research and development" means the development,
12 refinement, testing, marketing, and commercialization of a product,
13 service, or process before commercial sales have begun. As used in
14 this subsection, "commercial sales" excludes sales of prototypes or
15 sales for market testing if the total gross receipts from such sales of
16 the product, service, or process do not exceed one million dollars.

17 **Sec. 6.** RCW 82.68.030 and 2003 c 261 s 3 are each amended to read
18 as follows:

19 (1) The department shall issue a sales and use tax deferral
20 certificate for state and local sales and use taxes due under chapters
21 82.08, 82.12, and 82.14 RCW on each eligible investment project (~~that~~
22 ~~is located in an eligible area as defined in RCW 82.68.010~~), if the
23 investment project is undertaken for the purpose of manufacturing
24 biodiesel, biodiesel feedstock, or alcohol fuel.

25 (2) This section expires the earlier of:

26 (a) July 1, 2009; or

27 (b) July 1st of the fiscal year following the first calendar year
28 in which the volume of biodiesel fuel manufactured in Washington
29 exceeds twenty percent of the total of the volume of diesel fuel and
30 biodiesel fuel manufactured in Washington, as determined by the
31 department, in consultation with the department of community, trade,
32 and economic development, using data reported by the federal energy
33 information administration.

34 **Sec. 7.** RCW 82.04.260 and 2003 c 339 s 11 and 2003 c 261 s 11 are
35 each reenacted and amended to read as follows:

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

3 (a) Wheat into flour, barley into pearl barley, soybeans into
4 soybean oil, canola into canola oil, canola meal, or canola byproducts,
5 or sunflower seeds into sunflower oil; as to such persons the amount of
6 tax with respect to such business shall be equal to the value of the
7 flour, pearl barley, oil, canola meal, or canola byproduct
8 manufactured, multiplied by the rate of 0.138 percent;

9 (b) Seafood products which remain in a raw, raw frozen, or raw
10 salted state at the completion of the manufacturing by that person; as
11 to such persons the amount of tax with respect to such business shall
12 be equal to the value of the products manufactured, multiplied by the
13 rate of 0.138 percent;

14 (c) By canning, preserving, freezing, processing, or dehydrating
15 fresh fruits and vegetables, or selling at wholesale fresh fruits and
16 vegetables canned, preserved, frozen, processed, or dehydrated by the
17 seller and sold to purchasers who transport in the ordinary course of
18 business the goods out of this state; as to such persons the amount of
19 tax with respect to such business shall be equal to the value of the
20 products canned, preserved, frozen, processed, or dehydrated multiplied
21 by the rate of 0.138 percent. As proof of sale to a person who
22 transports in the ordinary course of business goods out of this state,
23 the seller shall annually provide a statement in a form prescribed by
24 the department and retain the statement as a business record;

25 (d) Dairy products that as of September 20, 2001, are identified in
26 21 C.F.R., chapter 1, parts 131, 133, and 135, including byproducts
27 from the manufacturing of the dairy products such as whey and casein;
28 or selling the same to purchasers who transport in the ordinary course
29 of business the goods out of state; as to such persons the tax imposed
30 shall be equal to the value of the products manufactured multiplied by
31 the rate of 0.138 percent. As proof of sale to a person who transports
32 in the ordinary course of business goods out of this state, the seller
33 shall annually provide a statement in a form prescribed by the
34 department and retain the statement as a business record;

35 (e) Alcohol fuel, biodiesel fuel, or biodiesel feedstock, as those
36 terms are defined in RCW 82.29A.135; as to such persons the amount of
37 tax with respect to the business shall be equal to the value of alcohol
38 fuel, biodiesel fuel, or biodiesel feedstock manufactured, multiplied

1 by the rate of 0.138 percent. This subsection (1)(e) expires the
2 earlier of July 1, 2009, or July 1st of the fiscal year following the
3 first calendar year in which the volume of biodiesel fuel manufactured
4 in Washington exceeds twenty percent of the total of the volume of
5 diesel fuel and biodiesel fuel manufactured in Washington, as
6 determined by the department, in consultation with the department of
7 community, trade, and economic development, using data reported by the
8 federal energy information administration; and

9 (f) Alcohol fuel or wood biomass fuel, as those terms are defined
10 in RCW 82.29A.135; as to such persons the amount of tax with respect to
11 the business shall be equal to the value of alcohol fuel or wood
12 biomass fuel manufactured, multiplied by the rate of 0.138 percent.

13 (2) Upon every person engaging within this state in the business of
14 splitting or processing dried peas; as to such persons the amount of
15 tax with respect to such business shall be equal to the value of the
16 peas split or processed, multiplied by the rate of 0.138 percent.

17 (3) Upon every nonprofit corporation and nonprofit association
18 engaging within this state in research and development, as to such
19 corporations and associations, the amount of tax with respect to such
20 activities shall be equal to the gross income derived from such
21 activities multiplied by the rate of 0.484 percent.

22 (4) Upon every person engaging within this state in the business of
23 slaughtering, breaking and/or processing perishable meat products
24 and/or selling the same at wholesale only and not at retail; as to such
25 persons the tax imposed shall be equal to the gross proceeds derived
26 from such sales multiplied by the rate of 0.138 percent.

27 (5) Upon every person engaging within this state in the business of
28 making sales, at retail or wholesale, of nuclear fuel assemblies
29 manufactured by that person, as to such persons the amount of tax with
30 respect to such business shall be equal to the gross proceeds of sales
31 of the assemblies multiplied by the rate of 0.275 percent.

32 (6) Upon every person engaging within this state in the business of
33 manufacturing nuclear fuel assemblies, as to such persons the amount of
34 tax with respect to such business shall be equal to the value of the
35 products manufactured multiplied by the rate of 0.275 percent.

36 (7) Upon every person engaging within this state in the business of
37 acting as a travel agent or tour operator; as to such persons the

1 amount of the tax with respect to such activities shall be equal to the
2 gross income derived from such activities multiplied by the rate of
3 0.275 percent.

4 (8) Upon every person engaging within this state in business as an
5 international steamship agent, international customs house broker,
6 international freight forwarder, vessel and/or cargo charter broker in
7 foreign commerce, and/or international air cargo agent; as to such
8 persons the amount of the tax with respect to only international
9 activities shall be equal to the gross income derived from such
10 activities multiplied by the rate of 0.275 percent.

11 (9) Upon every person engaging within this state in the business of
12 stevedoring and associated activities pertinent to the movement of
13 goods and commodities in waterborne interstate or foreign commerce; as
14 to such persons the amount of tax with respect to such business shall
15 be equal to the gross proceeds derived from such activities multiplied
16 by the rate of 0.275 percent. Persons subject to taxation under this
17 subsection shall be exempt from payment of taxes imposed by chapter
18 82.16 RCW for that portion of their business subject to taxation under
19 this subsection. Stevedoring and associated activities pertinent to
20 the conduct of goods and commodities in waterborne interstate or
21 foreign commerce are defined as all activities of a labor, service or
22 transportation nature whereby cargo may be loaded or unloaded to or
23 from vessels or barges, passing over, onto or under a wharf, pier, or
24 similar structure; cargo may be moved to a warehouse or similar holding
25 or storage yard or area to await further movement in import or export
26 or may move to a consolidation freight station and be stuffed,
27 unstuffed, containerized, separated or otherwise segregated or
28 aggregated for delivery or loaded on any mode of transportation for
29 delivery to its consignee. Specific activities included in this
30 definition are: Wharfage, handling, loading, unloading, moving of
31 cargo to a convenient place of delivery to the consignee or a
32 convenient place for further movement to export mode; documentation
33 services in connection with the receipt, delivery, checking, care,
34 custody and control of cargo required in the transfer of cargo;
35 imported automobile handling prior to delivery to consignee; terminal
36 stevedoring and incidental vessel services, including but not limited
37 to plugging and unplugging refrigerator service to containers,

1 trailers, and other refrigerated cargo receptacles, and securing ship
2 hatch covers.

3 (10) Upon every person engaging within this state in the business
4 of disposing of low-level waste, as defined in RCW 43.145.010; as to
5 such persons the amount of the tax with respect to such business shall
6 be equal to the gross income of the business, excluding any fees
7 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3
8 percent.

9 If the gross income of the taxpayer is attributable to activities
10 both within and without this state, the gross income attributable to
11 this state shall be determined in accordance with the methods of
12 apportionment required under RCW 82.04.460.

13 (11) Upon every person engaging within this state as an insurance
14 agent, insurance broker, or insurance solicitor licensed under chapter
15 48.17 RCW; as to such persons, the amount of the tax with respect to
16 such licensed activities shall be equal to the gross income of such
17 business multiplied by the rate of 0.484 percent.

18 (12) Upon every person engaging within this state in business as a
19 hospital, as defined in chapter 70.41 RCW, that is operated as a
20 nonprofit corporation or by the state or any of its political
21 subdivisions, as to such persons, the amount of tax with respect to
22 such activities shall be equal to the gross income of the business
23 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
24 percent thereafter. The moneys collected under this subsection shall
25 be deposited in the health services account created under RCW
26 43.72.900.

27 **Sec. 8.** RCW 82.04.260 and 2003 2nd sp.s. c 1 s 4 and 2003 2nd
28 sp.s. c 1 s 3 are each reenacted and amended to read as follows:

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

31 (a) Wheat into flour, barley into pearl barley, soybeans into
32 soybean oil, canola into canola oil, canola meal, or canola byproducts,
33 or sunflower seeds into sunflower oil; as to such persons the amount of
34 tax with respect to such business shall be equal to the value of the
35 flour, pearl barley, oil, canola meal, or canola byproduct
36 manufactured, multiplied by the rate of 0.138 percent;

1 (b) Seafood products which remain in a raw, raw frozen, or raw
2 salted state at the completion of the manufacturing by that person; as
3 to such persons the amount of tax with respect to such business shall
4 be equal to the value of the products manufactured, multiplied by the
5 rate of 0.138 percent;

6 (c) By canning, preserving, freezing, processing, or dehydrating
7 fresh fruits and vegetables, or selling at wholesale fresh fruits and
8 vegetables canned, preserved, frozen, processed, or dehydrated by the
9 seller and sold to purchasers who transport in the ordinary course of
10 business the goods out of this state; as to such persons the amount of
11 tax with respect to such business shall be equal to the value of the
12 products canned, preserved, frozen, processed, or dehydrated multiplied
13 by the rate of 0.138 percent. As proof of sale to a person who
14 transports in the ordinary course of business goods out of this state,
15 the seller shall annually provide a statement in a form prescribed by
16 the department and retain the statement as a business record;

17 (d) Dairy products that as of September 20, 2001, are identified in
18 21 C.F.R., chapter 1, parts 131, 133, and 135, including byproducts
19 from the manufacturing of the dairy products such as whey and casein;
20 or selling the same to purchasers who transport in the ordinary course
21 of business the goods out of state; as to such persons the tax imposed
22 shall be equal to the value of the products manufactured multiplied by
23 the rate of 0.138 percent. As proof of sale to a person who transports
24 in the ordinary course of business goods out of this state, the seller
25 shall annually provide a statement in a form prescribed by the
26 department and retain the statement as a business record;

27 (e) Alcohol fuel, biodiesel fuel, or biodiesel feedstock, as those
28 terms are defined in RCW 82.29A.135; as to such persons the amount of
29 tax with respect to the business shall be equal to the value of alcohol
30 fuel, biodiesel fuel, or biodiesel feedstock manufactured, multiplied
31 by the rate of 0.138 percent. This subsection (1)(e) expires the
32 earlier of July 1, 2009, or July 1st of the fiscal year following the
33 first calendar year in which the volume of biodiesel fuel manufactured
34 in Washington exceeds twenty percent of the total of the volume of
35 diesel fuel and biodiesel fuel manufactured in Washington, as
36 determined by the department, in consultation with the department of
37 community, trade, and economic development, using data reported by the
38 federal energy information administration; and

1 (f) Alcohol fuel or wood biomass fuel, as those terms are defined
2 in RCW 82.29A.135; as to such persons the amount of tax with respect to
3 the business shall be equal to the value of alcohol fuel or wood
4 biomass fuel manufactured, multiplied by the rate of 0.138 percent.

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

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

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

19 (5) Upon every person engaging within this state in the business of
20 making sales, at retail or wholesale, of nuclear fuel assemblies
21 manufactured by that person, as to such persons the amount of tax with
22 respect to such business shall be equal to the gross proceeds of sales
23 of the assemblies multiplied by the rate of 0.275 percent.

24 (6) Upon every person engaging within this state in the business of
25 manufacturing nuclear fuel assemblies, as to such persons the amount of
26 tax with respect to such business shall be equal to the value of the
27 products manufactured multiplied by the rate of 0.275 percent.

28 (7) Upon every person engaging within this state in the business of
29 acting as a travel agent or tour operator; as to such persons the
30 amount of the tax with respect to such activities shall be equal to the
31 gross income derived from such activities multiplied by the rate of
32 0.275 percent.

33 (8) Upon every person engaging within this state in business as an
34 international steamship agent, international customs house broker,
35 international freight forwarder, vessel and/or cargo charter broker in
36 foreign commerce, and/or international air cargo agent; as to such
37 persons the amount of the tax with respect to only international

1 activities shall be equal to the gross income derived from such
2 activities multiplied by the rate of 0.275 percent.

3 (9) Upon every person engaging within this state in the business of
4 stevedoring and associated activities pertinent to the movement of
5 goods and commodities in waterborne interstate or foreign commerce; as
6 to such persons the amount of tax with respect to such business shall
7 be equal to the gross proceeds derived from such activities multiplied
8 by the rate of 0.275 percent. Persons subject to taxation under this
9 subsection shall be exempt from payment of taxes imposed by chapter
10 82.16 RCW for that portion of their business subject to taxation under
11 this subsection. Stevedoring and associated activities pertinent to
12 the conduct of goods and commodities in waterborne interstate or
13 foreign commerce are defined as all activities of a labor, service or
14 transportation nature whereby cargo may be loaded or unloaded to or
15 from vessels or barges, passing over, onto or under a wharf, pier, or
16 similar structure; cargo may be moved to a warehouse or similar holding
17 or storage yard or area to await further movement in import or export
18 or may move to a consolidation freight station and be stuffed,
19 unstuffed, containerized, separated or otherwise segregated or
20 aggregated for delivery or loaded on any mode of transportation for
21 delivery to its consignee. Specific activities included in this
22 definition are: Wharfage, handling, loading, unloading, moving of
23 cargo to a convenient place of delivery to the consignee or a
24 convenient place for further movement to export mode; documentation
25 services in connection with the receipt, delivery, checking, care,
26 custody and control of cargo required in the transfer of cargo;
27 imported automobile handling prior to delivery to consignee; terminal
28 stevedoring and incidental vessel services, including but not limited
29 to plugging and unplugging refrigerator service to containers,
30 trailers, and other refrigerated cargo receptacles, and securing ship
31 hatch covers.

32 (10) Upon every person engaging within this state in the business
33 of disposing of low-level waste, as defined in RCW 43.145.010; as to
34 such persons the amount of the tax with respect to such business shall
35 be equal to the gross income of the business, excluding any fees
36 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3
37 percent.

1 If the gross income of the taxpayer is attributable to activities
2 both within and without this state, the gross income attributable to
3 this state shall be determined in accordance with the methods of
4 apportionment required under RCW 82.04.460.

5 (11) Upon every person engaging within this state as an insurance
6 agent, insurance broker, or insurance solicitor licensed under chapter
7 48.17 RCW; as to such persons, the amount of the tax with respect to
8 such licensed activities shall be equal to the gross income of such
9 business multiplied by the rate of 0.484 percent.

10 (12) Upon every person engaging within this state in business as a
11 hospital, as defined in chapter 70.41 RCW, that is operated as a
12 nonprofit corporation or by the state or any of its political
13 subdivisions, as to such persons, the amount of tax with respect to
14 such activities shall be equal to the gross income of the business
15 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
16 percent thereafter. The moneys collected under this subsection shall
17 be deposited in the health services account created under RCW
18 43.72.900.

19 (13)(a) Beginning October 1, 2005, upon every person engaging
20 within this state in the business of manufacturing commercial
21 airplanes, or components of such airplanes, as to such persons the
22 amount of tax with respect to such business shall, in the case of
23 manufacturers, be equal to the value of the product manufactured, or in
24 the case of processors for hire, be equal to the gross income of the
25 business, multiplied by the rate of:

26 (i) 0.4235 percent from October 1, 2005, through the later of June
27 30, 2007, or the day preceding the date final assembly of a
28 superefficient airplane begins in Washington state, as determined under
29 RCW 82.32.550; and

30 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the
31 date final assembly of a superefficient airplane begins in Washington
32 state, as determined under RCW 82.32.550.

33 (b) Beginning October 1, 2005, upon every person engaging within
34 this state in the business of making sales, at retail or wholesale, of
35 commercial airplanes, or components of such airplanes, manufactured by
36 that person, as to such persons the amount of tax with respect to such
37 business shall be equal to the gross proceeds of sales of the airplanes
38 or components multiplied by the rate of:

1 (i) 0.4235 percent from October 1, 2005, through the later of June
2 30, 2007, or the day preceding the date final assembly of a
3 superefficient airplane begins in Washington state, as determined under
4 RCW 82.32.550; and

5 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the
6 date final assembly of a superefficient airplane begins in Washington
7 state, as determined under RCW 82.32.550.

8 (c) For the purposes of this subsection (13), "commercial
9 airplane," "component," and "final assembly of a superefficient
10 airplane" have the meanings given in RCW 82.32.550.

11 (d) In addition to all other requirements under this title, a
12 person eligible for the tax rate under this subsection (13) must report
13 as required under RCW 82.32.545.

14 (e) This subsection (13) does not apply after the earlier of: July
15 1, 2024; or December 31, 2007, if assembly of a superefficient airplane
16 does not begin by December 31, 2007, as determined under RCW 82.32.550.

17 **Sec. 9.** RCW 82.04.4334 and 2003 c 63 s 1 are each amended to read
18 as follows:

19 (1) In computing tax there may be deducted from the measure of tax
20 amounts received from the retail sale, or for the distribution, of:

21 (a) Biodiesel fuel; or

22 (b) Alcohol fuel, if the alcohol fuel is at least eighty-five
23 percent of the volume of the fuel being sold or distributed.

24 (2) For the purposes of this section and RCW 82.08.955 and
25 82.12.955, the following definitions apply:

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

35 (c) "Distribution" means any of the actions specified in RCW
36 82.36.020(2).

1 (3) This section expires the earlier of July 1, 2009, or July 1st
2 of the fiscal year following the first calendar year in which the
3 volume of biodiesel fuel manufactured in Washington exceeds twenty
4 percent of the total of the volume of diesel fuel and biodiesel fuel
5 manufactured in Washington, as determined by the department, in
6 consultation with the department of community, trade, and economic
7 development, using data reported by the federal energy information
8 administration.

9 **Sec. 10.** RCW 82.08.955 and 2003 c 63 s 2 are each amended to read
10 as follows:

11 (1) The tax levied by RCW 82.08.020 does not apply to sales of
12 machinery and equipment, or to services rendered in respect to
13 constructing structures, installing, constructing, repairing, cleaning,
14 decorating, altering, or improving of structures or machinery and
15 equipment, or to sales of tangible personal property that becomes an
16 ingredient or component of structures or machinery and equipment, if
17 the machinery, equipment, or structure is used directly for the retail
18 sale of a biodiesel or alcohol fuel blend. Structures and machinery
19 and equipment that are used for the retail sale of a biodiesel or
20 alcohol fuel blend and for other purposes are exempt only on the
21 portion used directly for the retail sale of a biodiesel or alcohol
22 fuel blend.

23 (2) The tax levied by RCW 82.08.020 does not apply to sales of fuel
24 delivery vehicles or to sales of or charges made for labor and services
25 rendered in respect to installing, repairing, cleaning, altering, or
26 improving the vehicles including repair parts and replacement parts if
27 at least seventy-five percent of the fuel distributed by the vehicles
28 is a biodiesel or alcohol fuel blend.

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

35 (4) For the purposes of this section, the definitions in RCW
36 82.04.4334 and this subsection apply.

1 (a) "Alcohol fuel blend" means fuel that contains at least eighty-
2 five percent alcohol fuel by volume.

3 (b) "Biodiesel blend" means fuel that contains at least twenty
4 percent biodiesel fuel by volume.

5 (c) "Machinery and equipment" means industrial fixtures, devices,
6 and support facilities and tangible personal property that becomes an
7 ingredient or component thereof, including repair parts and replacement
8 parts that are integral and necessary for the delivery of biodiesel or
9 alcohol fuel blends into the fuel tank of a motor vehicle.

10 (5) This section expires the earlier of July 1, 2009, or July 1st
11 of the fiscal year following the first calendar year in which the
12 volume of biodiesel fuel manufactured in Washington exceeds twenty
13 percent of the total of the volume of diesel fuel and biodiesel fuel
14 manufactured in Washington, as determined by the department, in
15 consultation with the department of community, trade, and economic
16 development, using data reported by the federal energy information
17 administration.

18 **Sec. 11.** RCW 82.12.955 and 2003 c 63 s 3 are each amended to read
19 as follows:

20 (1) The provisions of this chapter do not apply in respect to the
21 use of machinery and equipment, or to services rendered in respect to
22 installing, repairing, cleaning, altering, or improving of eligible
23 machinery and equipment, or tangible personal property that becomes an
24 ingredient or component of machinery and equipment used directly for
25 the retail sale of a biodiesel or alcohol fuel blend.

26 (2) The provisions of this chapter do not apply in respect to the
27 use of fuel delivery vehicles including repair parts and replacement
28 parts and to services rendered in respect to installing, repairing,
29 cleaning, altering, or improving the vehicles if at least seventy-five
30 percent of the fuel distributed by the vehicles is a biodiesel or
31 alcohol fuel blend.

32 (3) For the purposes of this section, the definitions in RCW
33 82.04.4334 and 82.08.955 apply.

34 (4) This section expires the earlier of July 1, 2009, or July 1st
35 of the fiscal year following the first calendar year in which the
36 volume of biodiesel fuel manufactured in Washington exceeds twenty
37 percent of the total of the volume of diesel fuel and biodiesel fuel

1 manufactured in Washington, as determined by the department, in
2 consultation with the department of community, trade, and economic
3 development, using data reported by the federal energy information
4 administration.

5 NEW SECTION. **Sec. 12.** RCW 82.68.040 (Additional investment
6 projects that qualify for sales and use tax deferral) and 2003 c 261 s
7 4 are each repealed.

8 NEW SECTION. **Sec. 13.** (1) Sections 5 and 6 of this act are null
9 and void if RCW 82.60.050 is effective after June 30, 2004.
10 (2) Sections 1 through 4 of this act are null and void if RCW
11 82.60.050 expires July 1, 2004.

12 NEW SECTION. **Sec. 14.** Sections 1 through 4 of this act constitute
13 a new chapter in Title 82 RCW.

14 NEW SECTION. **Sec. 15.** This act takes effect July 1, 2004.

--- END ---