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SENATE BILL 6646

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State of Washington

58th Legislature

2004 Regular Session

By Senators Murray, Kline, Sheahan, Poulsen, Swecker, Kohl-Welles and Benton

Read first time 01/28/2004. Referred to Committee on Natural Resources, Energy & Water.

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 is equal to twenty  
3 percent of the total of the volume of diesel fuel and biodiesel fuel  
4 manufactured, as determined by the department. The department of  
5 licensing shall provide the department of revenue information necessary  
6 to make this determination.

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

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

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

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

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

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

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

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

29 (6) (~~"Eligible area" means a county with fewer than one hundred~~  
30 ~~persons per square mile as determined annually by the office of~~  
31 ~~financial management and published by the department effective for the~~  
32 ~~period July 1st through June 30th, or a county that has a population of~~  
33 ~~less than two hundred twenty five thousand as determined by the office~~  
34 ~~of financial management and has an area greater than two hundred~~  
35 ~~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 is equal to twenty  
29 percent of the total of the volume of diesel fuel and biodiesel fuel  
30 manufactured, as determined by the department. The department of  
31 licensing shall provide the department of revenue information necessary  
32 to make this determination.

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

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

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

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

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

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

33 (e) Alcohol fuel, biodiesel fuel, or biodiesel feedstock, as those  
34 terms are defined in RCW 82.29A.135; as to such persons the amount of  
35 tax with respect to the business shall be equal to the value of alcohol  
36 fuel, biodiesel fuel, or biodiesel feedstock manufactured, multiplied  
37 by the rate of 0.138 percent. This subsection (1)(e) expires the  
38 earlier of July 1, 2009, or July 1st of the fiscal year following the

1 first calendar year in which the volume of biodiesel fuel manufactured  
2 is equal to twenty percent of the total of the volume of diesel fuel  
3 and biodiesel fuel manufactured, as determined by the department. The  
4 department of licensing shall provide the department of revenue  
5 information necessary to make this determination; and

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

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

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

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

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

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

33 (7) Upon every person engaging within this state in the business of  
34 acting as a travel agent or tour operator; as to such persons the  
35 amount of the tax with respect to such activities shall be equal to the  
36 gross income derived from such activities multiplied by the rate of  
37 0.275 percent.

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

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

37 (10) Upon every person engaging within this state in the business  
38 of disposing of low-level waste, as defined in RCW 43.145.010; as to



1 such persons the amount of the tax with respect to such business shall  
2 be equal to the gross income of the business, excluding any fees  
3 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3  
4 percent.

5 If the gross income of the taxpayer is attributable to activities  
6 both within and without this state, the gross income attributable to  
7 this state shall be determined in accordance with the methods of  
8 apportionment required under RCW 82.04.460.

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

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

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

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

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

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

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

12 (d) Dairy products that as of September 20, 2001, are identified in  
13 21 C.F.R., chapter 1, parts 131, 133, and 135, including byproducts  
14 from the manufacturing of the dairy products such as whey and casein;  
15 or selling the same to purchasers who transport in the ordinary course  
16 of business the goods out of state; as to such persons the tax imposed  
17 shall be equal to the value of the products manufactured multiplied by  
18 the rate of 0.138 percent. As proof of sale to a person who transports  
19 in the ordinary course of business goods out of this state, the seller  
20 shall annually provide a statement in a form prescribed by the  
21 department and retain the statement as a business record;

22 (e) Alcohol fuel, biodiesel fuel, or biodiesel feedstock, as those  
23 terms are defined in RCW 82.29A.135; as to such persons the amount of  
24 tax with respect to the business shall be equal to the value of alcohol  
25 fuel, biodiesel fuel, or biodiesel feedstock manufactured, multiplied  
26 by the rate of 0.138 percent. This subsection (1)(e) expires the  
27 earlier of July 1, 2009, or July 1st of the fiscal year following the  
28 first calendar year in which the volume of biodiesel fuel manufactured  
29 is equal to twenty percent of the total of the volume of diesel fuel  
30 and biodiesel fuel manufactured, as determined by the department. The  
31 department of licensing shall provide the department of revenue  
32 information necessary to make this determination; and

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

37 (2) Upon every person engaging within this state in the business of

1 splitting or processing dried peas; as to such persons the amount of  
2 tax with respect to such business shall be equal to the value of the  
3 peas split or processed, multiplied by the rate of 0.138 percent.

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

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

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

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

23 (7) Upon every person engaging within this state in the business of  
24 acting as a travel agent or tour operator; as to such persons the  
25 amount of the tax with respect to such activities shall be equal to the  
26 gross income derived from such activities multiplied by the rate of  
27 0.275 percent.

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

35 (9) Upon every person engaging within this state in the business of  
36 stevedoring and associated activities pertinent to the movement of  
37 goods and commodities in waterborne interstate or foreign commerce; as  
38 to such persons the amount of tax with respect to such business shall

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

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

32 If the gross income of the taxpayer is attributable to activities  
33 both within and without this state, the gross income attributable to  
34 this state shall be determined in accordance with the methods of  
35 apportionment required under RCW 82.04.460.

36 (11) Upon every person engaging within this state as an insurance  
37 agent, insurance broker, or insurance solicitor licensed under chapter

1 48.17 RCW; as to such persons, the amount of the tax with respect to  
2 such licensed activities shall be equal to the gross income of such  
3 business multiplied by the rate of 0.484 percent.

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

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

20 (i) 0.4235 percent from October 1, 2005, through the later of June  
21 30, 2007, or the day preceding the date final assembly of a  
22 superefficient airplane begins in Washington state, as determined under  
23 RCW 82.32.550; and

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

27 (b) Beginning October 1, 2005, upon every person engaging within  
28 this state in the business of making sales, at retail or wholesale, of  
29 commercial airplanes, or components of such airplanes, manufactured by  
30 that person, as to such persons the amount of tax with respect to such  
31 business shall be equal to the gross proceeds of sales of the airplanes  
32 or components multiplied by the rate of:

33 (i) 0.4235 percent from October 1, 2005, through the later of June  
34 30, 2007, or the day preceding the date final assembly of a  
35 superefficient airplane begins in Washington state, as determined under  
36 RCW 82.32.550; and

37 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the

1 date final assembly of a superefficient airplane begins in Washington  
2 state, as determined under RCW 82.32.550.

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

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

9 (e) This subsection (13) does not apply after the earlier of: July  
10 1, 2024; or December 31, 2007, if assembly of a superefficient airplane  
11 does not begin by December 31, 2007, as determined under RCW 82.32.550.

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

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

16 (a) Biodiesel fuel; or

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

19 (2) For the purposes of this section and RCW 82.08.955 and  
20 82.12.955, the following definitions apply:

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

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

30 (c) "Distribution" means any of the actions specified in RCW  
31 82.36.020(2).

32 (3) This section expires the earlier of July 1, 2009, or July 1st  
33 of the fiscal year following the first calendar year in which the  
34 volume of biodiesel fuel manufactured is equal to twenty percent of the  
35 total of the volume of diesel fuel and biodiesel fuel manufactured, as  
36 determined by the department. The department of licensing shall

1 provide the department of revenue information necessary to make this  
2 determination.

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

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

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

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

29 (4) For the purposes of this section, the definitions in RCW  
30 82.04.4334 and this subsection apply.

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

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

35 (c) "Machinery and equipment" means industrial fixtures, devices,  
36 and support facilities and tangible personal property that becomes an

1 ingredient or component thereof, including repair parts and replacement  
2 parts that are integral and necessary for the delivery of biodiesel or  
3 alcohol fuel blends into the fuel tank of a motor vehicle.

4 (5) This section expires the earlier of July 1, 2009, or July 1st  
5 of the fiscal year following the first calendar year in which the  
6 volume of biodiesel fuel manufactured is equal to twenty percent of the  
7 total of the volume of diesel fuel and biodiesel fuel manufactured, as  
8 determined by the department. The department of licensing shall  
9 provide the department of revenue information necessary to make this  
10 determination.

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

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

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

25 (3) For the purposes of this section, the definitions in RCW  
26 82.04.4334 and 82.08.955 apply.

27 (4) This section expires the earlier of July 1, 2009, or July 1st  
28 of the fiscal year following the first calendar year in which the  
29 volume of biodiesel fuel manufactured is equal to twenty percent of the  
30 total of the volume of diesel fuel and biodiesel fuel manufactured, as  
31 determined by the department. The department of licensing shall  
32 provide the department of revenue information necessary to make this  
33 determination.

34 NEW SECTION. **Sec. 12.** RCW 82.68.040 (Additional investment  
35 projects that qualify for sales and use tax deferral) and 2003 c 261 s  
36 4 are each repealed.



1        NEW SECTION.   **Sec. 13.**   (1) Sections 5 and 6 of this act are null  
2 and void if RCW 82.60.050 is effective after June 30, 2004.

3        (2) Sections 1 through 4 of this act are null and void if RCW  
4 82.60.050 expires July 1, 2004.

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

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

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