
SENATE BILL 6879

State of Washington 59th Legislature 2006 Regular Session

By Senators Esser, Poulsen, Morton, Finkbeiner, Kline and Rasmussen

Read first time 01/31/2006. Referred to Committee on Water, Energy & Environment.

1 AN ACT Relating to smart grid energy technology; amending RCW
2 28B.20.296 and 82.63.010; adding a new section to chapter 82.08 RCW;
3 adding a new section to chapter 82.12 RCW; providing an effective date;
4 and providing expiration dates.

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

6 **Sec. 1.** RCW 28B.20.296 and 2004 c 151 s 2 are each amended to read
7 as follows:

8 (1) The Washington technology center, through its northwest energy
9 technology collaborative, shall provide a forum for public and private
10 collaborative initiatives to promote renewable energy and energy
11 efficiency sectors in Washington state and the Pacific Northwest. The
12 center shall seek to integrate the initiatives of the northwest energy
13 technology collaborative into existing state programs and initiatives,
14 including grant programs administered by the center, and energy
15 efficiency business development projects and energy assistance programs
16 of the department of community, trade, and economic development.

17 (2) The center, through its northwest energy technology
18 collaborative, shall develop and implement a strategic plan for public
19 and private collaboration in renewable energy and energy efficiency

1 business development. The center, together with the department, shall
2 prepare an initial draft of a statewide strategic plan and circulate it
3 widely among businesses and individuals in these sectors for review and
4 comment. The center shall also organize a summit of public and private
5 sector interests to further developments of the proposed strategic
6 plan. The plan shall address, among other things, the role that public
7 sector policies, programs, and expenditures may play in promoting these
8 economic sectors, including subjects such as work force development,
9 education, tax incentives, economic development assistance, public
10 sector energy purchases, public sector construction standards,
11 transportation, and land use regulation and zoning. The strategic plan
12 shall include recommendations for legislative and administrative policy
13 changes and for legislative appropriations. The plan shall also
14 recommend proposals for capital and operating investments in public
15 higher education facilities, proposals for creating and strengthening
16 public and private partnerships, and proposals for federal financial
17 assistance and expenditures for research and development programs in
18 Washington state. The finalized strategic plan shall be provided to
19 the governor and to the appropriate committees of the senate and house
20 of representatives by January 1, 2005.

21 (3) No later than December 1, 2007, the department, in
22 collaboration with the center and its northwest energy technology
23 collaborative, shall adopt rules creating a certification process for
24 smart grid energy technologies that promise to significantly improve
25 the reliability, efficiency, and environmental integrity of electrical
26 transmission and distribution systems. The rules shall not take effect
27 until after the end of the next regular legislative session. "Smart
28 grid energy technology" has the same meaning as provided in RCW
29 82.63.010.

30 (4) The strategic plan required by subsection (2) of this section
31 may be incorporated into the center's five-year strategic plan required
32 by RCW 28B.20.289(3)(f).

33 **Sec. 2.** RCW 82.63.010 and 2004 c 2 s 3 are each amended to read as
34 follows:

35 Unless the context clearly requires otherwise, the definitions in
36 this section apply throughout this chapter.

1 (1) "Advanced computing" means technologies used in the designing
2 and developing of computing hardware and software, including
3 innovations in designing the full spectrum of hardware from hand-held
4 calculators to super computers, and peripheral equipment.

5 (2) "Advanced materials" means materials with engineered properties
6 created through the development of specialized processing and synthesis
7 technology, including ceramics, high value-added metals, electronic
8 materials, composites, polymers, and biomaterials.

9 (3) "Applicant" means a person applying for a tax deferral under
10 this chapter.

11 (4) "Biotechnology" means the application of technologies, such as
12 recombinant DNA techniques, biochemistry, molecular and cellular
13 biology, genetics and genetic engineering, cell fusion techniques, and
14 new bioprocesses, using living organisms, or parts of organisms, to
15 produce or modify products, to improve plants or animals, to develop
16 microorganisms for specific uses, to identify targets for small
17 molecule pharmaceutical development, or to transform biological systems
18 into useful processes and products or to develop microorganisms for
19 specific uses.

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

21 (6) "Electronic device technology" means technologies involving
22 microelectronics; semiconductors; electronic equipment and
23 instrumentation; radio frequency, microwave, and millimeter
24 electronics; optical and optic-electrical devices; and data and digital
25 communications and imaging devices.

26 (7) "Eligible investment project" means an investment project which
27 either initiates a new operation, or expands or diversifies a current
28 operation by expanding, renovating, or equipping an existing facility.
29 The lessor or owner of the qualified building is not eligible for a
30 deferral unless:

31 (a) The underlying ownership of the buildings, machinery, and
32 equipment vests exclusively in the same person; or

33 (b)(i) The lessor by written contract agrees to pass the economic
34 benefit of the deferral to the lessee;

35 (ii) The lessee that receives the economic benefit of the deferral
36 agrees in writing with the department to complete the annual survey
37 required under RCW 82.63.020(2); and

1 (iii) The economic benefit of the deferral passed to the lessee is
2 no less than the amount of tax deferred by the lessor and is evidenced
3 by written documentation of any type of payment, credit, or other
4 financial arrangement between the lessor or owner of the qualified
5 building and the lessee.

6 (8) "Environmental technology" means assessment and prevention of
7 threats or damage to human health or the environment, environmental
8 cleanup, development of smart grid energy technologies, and the
9 development of alternative energy sources.

10 (9) "Investment project" means an investment in qualified buildings
11 or qualified machinery and equipment, including labor and services
12 rendered in the planning, installation, and construction or improvement
13 of the project.

14 (10) "Person" has the meaning given in RCW 82.04.030 and includes
15 state universities as defined in RCW 28B.10.016.

16 (11) "Pilot scale manufacturing" means design, construction, and
17 testing of preproduction prototypes and models in the fields of
18 biotechnology, advanced computing, electronic device technology,
19 advanced materials, and environmental technology other than for
20 commercial sale. As used in this subsection, "commercial sale"
21 excludes sales of prototypes or sales for market testing if the total
22 gross receipts from such sales of the product, service, or process do
23 not exceed one million dollars.

24 (12) "Qualified buildings" means construction of new structures,
25 and expansion or renovation of existing structures for the purpose of
26 increasing floor space or production capacity used for pilot scale
27 manufacturing or qualified research and development, including plant
28 offices and other facilities that are an essential or an integral part
29 of a structure used for pilot scale manufacturing or qualified research
30 and development. If a building is used partly for pilot scale
31 manufacturing or qualified research and development, and partly for
32 other purposes, the applicable tax deferral shall be determined by
33 apportionment of the costs of construction under rules adopted by the
34 department.

35 (13) "Qualified machinery and equipment" means fixtures, equipment,
36 and support facilities that are an integral and necessary part of a
37 pilot scale manufacturing or qualified research and development
38 operation. "Qualified machinery and equipment" includes: Computers;

1 software; data processing equipment; laboratory equipment,
2 instrumentation, and other devices used in a process of experimentation
3 to develop a new or improved pilot model, plant process, product,
4 formula, invention, or similar property; manufacturing components such
5 as belts, pulleys, shafts, and moving parts; molds, tools, and dies;
6 vats, tanks, and fermenters; operating structures; and all other
7 equipment used to control, monitor, or operate the machinery. For
8 purposes of this chapter, qualified machinery and equipment must be
9 either new to the taxing jurisdiction of the state or new to the
10 certificate holder, except that used machinery and equipment may be
11 treated as qualified machinery and equipment if the certificate holder
12 either brings the machinery and equipment into Washington or makes a
13 retail purchase of the machinery and equipment in Washington or
14 elsewhere.

15 (14) "Qualified research and development" means research and
16 development performed within this state in the fields of advanced
17 computing, advanced materials, biotechnology, electronic device
18 technology, and environmental technology.

19 (15) "Recipient" means a person receiving a tax deferral under this
20 chapter.

21 (16) "Research and development" means activities performed to
22 discover technological information, and technical and nonroutine
23 activities concerned with translating technological information into
24 new or improved products, processes, techniques, formulas, inventions,
25 or software. The term includes exploration of a new use for an
26 existing drug, device, or biological product if the new use requires
27 separate licensing by the federal food and drug administration under
28 chapter 21, C.F.R., as amended. The term does not include adaptation
29 or duplication of existing products where the products are not
30 substantially improved by application of the technology, nor does the
31 term include surveys and studies, social science and humanities
32 research, market research or testing, quality control, sale promotion
33 and service, computer software developed for internal use, and research
34 in areas such as improved style, taste, and seasonal design.

35 (17) "Smart grid energy technology" means a technology developed
36 with the intent to significantly improve the reliability, efficiency,
37 and environmental integrity of electrical transmission and distribution
38 systems, including advanced metering, load management, and control

1 technologies, high-temperature superconductor technologies, the
2 development and use of advanced grid design, operation, and planning
3 tools, and advanced energy delivery, storage and transmission
4 technologies, materials, and systems that contribute to significant
5 load reductions or enhancements in reliability, operational
6 flexibility, or power-carrying capability within electric transmission
7 or distribution systems.

8 (18)(a) "Initiation of construction" means the date that a building
9 permit is issued under the building code adopted under RCW 19.27.031
10 for:

11 (i) Construction of the qualified building, if the underlying
12 ownership of the building vests exclusively with the person receiving
13 the economic benefit of the deferral;

14 (ii) Construction of the qualified building, if the economic
15 benefits of the deferral are passed to a lessee as provided in
16 subsection (7) of this section; or

17 (iii) Tenant improvements for a qualified building, if the economic
18 benefits of the deferral are passed to a lessee as provided in
19 subsection (7) of this section.

20 (b) "Initiation of construction" does not include soil testing,
21 site clearing and grading, site preparation, or any other related
22 activities that are initiated before the issuance of a building permit
23 for the construction of the foundation of the building.

24 (c) If the investment project is a phased project, "initiation of
25 construction" shall apply separately to each phase.

26 NEW SECTION. Sec. 3. A new section is added to chapter 82.08 RCW
27 to read as follows:

28 (1) The tax levied by RCW 82.08.020 does not apply to sales of
29 tangible personal property used primarily in smart grid energy
30 technology product development, or to sales of or charges made for
31 labor and services rendered in respect to installing the tangible
32 personal property. The exemption is available only when the buyer
33 provides the seller with an exemption certificate in a form and manner
34 prescribed by the department. The seller shall retain a copy of the
35 certificate for the seller's files.

36 (2) The following definitions apply to this section:

1 (a) "Smart grid energy technology" has the meaning provided in RCW
2 82.63.010; and

3 (b) "Smart grid energy technology product development" means
4 research, design, and engineering activities performed in relation to
5 the development of smart grid energy technology.

6 (3) This section expires July 1, 2015.

7 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.12 RCW
8 to read as follows:

9 (1) The provisions of this chapter do not apply in respect to the
10 use of tangible personal property used primarily in smart grid energy
11 technology product development, or to the use of labor and services
12 rendered in respect to installing the tangible personal property.

13 (2) The definitions in section 3 of this act apply to this section.

14 (3) This section expires July 1, 2015.

15 NEW SECTION. **Sec. 5.** This act takes effect July 1, 2006.

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