
HOUSE BILL 1465

State of Washington

53rd Legislature

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By Representatives Kessler, Wineberry, Sheldon, Basich, Linville, Riley, Jones, Holm, Miller, Roland, Quall and Mastin

Read first time 01/29/93. Referred to Committee on Revenue.

1 AN ACT Relating to continuing tax deferral programs; amending RCW
2 82.60.050, 82.61.040, 82.62.040, 82.60.020, 82.61.010, 82.61.070, and
3 82.62.010; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** The legislature finds that there continues
6 to be several areas in the state that are characterized by very high
7 levels of unemployment and poverty. The legislature also finds that
8 manufacturing and research and development facilities are critical to
9 Washington's economic prosperity. Tax deferral programs stimulate the
10 economy by reducing the upfront costs of starting or expanding a
11 manufacturing or research and development facility. Continuation of
12 tax deferral programs serves a vital public purpose by creating
13 employment opportunities and reducing poverty.

14 **Sec. 2.** RCW 82.60.050 and 1988 c 41 s 5 are each amended to read
15 as follows:

16 RCW 82.60.030 and 82.60.040 shall expire July 1, (~~1994~~) 2000.

1 **Sec. 3.** RCW 82.61.040 and 1988 c 41 s 2 are each amended to read
2 as follows:

3 RCW 82.61.020 and 82.61.030 shall expire July 1, (~~(1994)~~) 2000.

4 **Sec. 4.** RCW 82.62.040 and 1988 c 41 s 4 are each amended to read
5 as follows:

6 RCW 82.62.020 and 82.62.030 shall expire July 1, (~~(1994)~~) 2000.

7 **Sec. 5.** RCW 82.60.020 and 1988 c 42 s 16 are each amended to read
8 as follows:

9 Unless the context clearly requires otherwise, the definitions in
10 this section apply throughout this chapter.

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

13 (2) "Department" means the department of revenue.

14 (3) "Eligible area" means: (a) A county in which the average level
15 of unemployment for the three years before the year in which an
16 application is filed under this chapter exceeds the average state
17 unemployment for those years by twenty percent; or (b) a metropolitan
18 statistical area, as defined by the office of federal statistical
19 policy and standards, United States department of commerce, in which
20 the average level of unemployment for the calendar year immediately
21 preceding the year in which an application is filed under this chapter
22 exceeds the average state unemployment for such calendar year by twenty
23 percent. (~~(Applications under this subsection (3)(b) shall be filed by~~
24 ~~April 30, 1989.)~~)

25 (4)(a) "Eligible investment project" means that portion of an
26 investment project which:

27 (i) Is directly utilized to create at least one new full-time
28 qualified employment position for each three hundred thousand dollars
29 of investment on which a deferral is requested; and

30 (ii) Either initiates a new operation, or expands or diversifies a
31 current operation by expanding or renovating an existing building with
32 costs in excess of twenty-five percent of the true and fair value of
33 the plant complex prior to improvement; or

34 (iii) Acquires machinery and equipment to be used for either
35 manufacturing or research and development if the machinery and
36 equipment is housed in a new leased structure: PROVIDED, That the
37 lessor/owner of the structure is not eligible for a deferral unless the

1 underlying ownership of the buildings, machinery, and equipment vests
2 exclusively in the same person.

3 (b) "Eligible investment project" does not include any portion of
4 an investment project undertaken by a light and power business as
5 defined in RCW 82.16.010(5) or investment projects which have already
6 received deferrals under this chapter.

7 (5) "Investment project" means an investment in qualified buildings
8 and qualified machinery and equipment, including labor and services
9 rendered in the planning, installation, and construction of the
10 project.

11 (6) "Manufacturing" means all activities of a commercial or
12 industrial nature wherein labor or skill is applied, by hand or
13 machinery, to materials so that as a result thereof a new, different,
14 or useful substance or article of tangible personal property is
15 produced for sale or commercial or industrial use and shall include the
16 production or fabrication of specially made or custom made articles.
17 "Manufacturing" also includes computer programming, the production of
18 computer software, and other computer-related services, and the
19 activities performed by research and development laboratories and
20 commercial testing laboratories.

21 (7) "Person" has the meaning given in RCW 82.04.030.

22 (8) "Qualified buildings" means new structures used for
23 manufacturing and research and development activities, including plant
24 offices and warehouses or other facilities for the storage of raw
25 material or finished goods if such facilities are an essential or an
26 integral part of a factory, mill, plant, or laboratory used for
27 manufacturing or research and development. If a building is used
28 partly for manufacturing or research and development and partly for
29 other purposes, the applicable tax deferral shall be determined by
30 apportionment of the costs of construction under rules adopted by the
31 department.

32 (9) "Qualified employment position" means a permanent full-time
33 employee employed in the eligible investment project during the entire
34 tax year.

35 (10) "Qualified machinery and equipment" means all new industrial
36 and research fixtures, equipment, and support facilities that are an
37 integral and necessary part of a manufacturing or research and
38 development operation. "Qualified machinery and equipment" includes:
39 Computers; software; data processing equipment; laboratory equipment;

1 manufacturing components such as belts, pulleys, shafts, and moving
2 parts; molds, tools, and dies; operating structures; and all equipment
3 used to control or operate the machinery.

4 (11) "Recipient" means a person receiving a tax deferral under this
5 chapter.

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

12 **Sec. 6.** RCW 82.61.010 and 1988 c 41 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) "Applicant" means a person applying for a tax deferral under
17 this chapter.

18 (2) "Person" has the meaning given in RCW 82.04.030.

19 (3) "Department" means the department of revenue.

20 (4) "Eligible investment project" means:

21 (a) Construction of new buildings and the acquisition of new
22 related machinery and equipment when the buildings, machinery, and
23 equipment are to be used for either manufacturing or research and
24 development activities, which construction is commenced prior to
25 December 31, (~~(1994)~~) 2000; or

26 (b) Acquisition prior to December 31, (~~(1994)~~) 2000, of new
27 machinery and equipment to be used for either manufacturing or research
28 and development if the machinery and equipment is housed in a new
29 leased structure: PROVIDED, That the lessor/owner of the structure is
30 not eligible for a deferral unless the underlying ownership of the
31 buildings, machinery, and equipment vests exclusively in the same
32 person; or

33 (c) Acquisition of all new or used machinery, equipment, or other
34 personal property for use in the production or casting of aluminum at
35 an aluminum smelter or at facilities related to an aluminum smelter, if
36 the plant was in operation prior to 1975 and has ceased operations or
37 is in imminent danger of ceasing operations for economic reasons, as
38 determined by the department, and if the person applying for a deferral

1 (i) has consulted with any collective bargaining unit that represented
2 employees of the plant pursuant to a collective bargaining agreement
3 that was in effect either immediately prior to the time the plant
4 ceased operations or during the period when the plant was in imminent
5 danger of ceasing operations, on the proposed operation of the plant
6 and on the terms and conditions of employment for wage and salaried
7 employees and (ii) has obtained a written concurrence from the
8 bargaining unit on the decision to apply for a deferral under this
9 chapter; or

10 (d) Modernization projects involving construction, acquisition, or
11 upgrading of equipment or machinery, including services and labor,
12 which are commenced after May 19, 1987, and are intended to increase
13 the operating efficiency of existing plants which are either aluminum
14 smelters or aluminum rolling mills or of facilities related to such
15 plants, if the plant was in operation prior to 1975, and if the person
16 applying for a deferral (i) has consulted with any collective
17 bargaining unit that represents employees of the plant on the proposed
18 operation of the plant and the terms and conditions of employment for
19 wage and salaried employees and (ii) has obtained a written concurrence
20 from the bargaining unit on the decision to apply for a deferral under
21 this chapter.

22 (5) "Manufacturing" means all activities of a commercial or
23 industrial nature wherein labor or skill is applied, by hand or
24 machinery, to materials so that as a result thereof a new, different,
25 or useful substance or article of tangible personal property is
26 produced for sale or commercial or industrial use and includes the
27 production or fabrication of specially made or custom-made articles.

28 (6) "Research and development" means the development, refinement,
29 testing, marketing, and commercialization of a product, service, or
30 process before commercial sales have begun.

31 (7) "Buildings" means only those new structures used for either
32 manufacturing or research and development activities, including plant
33 offices and warehouses or other facilities for the storage of raw
34 materials or finished goods if such facilities are an essential or an
35 integral part of a factory, mill, plant, or laboratory used for
36 manufacturing or research and development purposes. If a building is
37 used partly for manufacturing or research and development and partly
38 for other purposes, the applicable tax deferral shall be determined by

1 apportionment of the costs of construction under rules adopted by the
2 department.

3 (8) "Machinery and equipment" means all industrial and research
4 fixtures, equipment, and support facilities that are an integral and
5 necessary part of a manufacturing or research and development
6 operation. "Qualified machinery and equipment" includes computers;
7 software; data processing equipment; laboratory equipment;
8 manufacturing components such as belts, pulleys, shafts, and moving
9 parts; molds, tools, and dies; operating structures; and all equipment
10 used to control or operate the machinery. For purposes of this
11 chapter, new machinery and equipment means either new to the taxing
12 jurisdiction of the state or new to the certificate holder. Used
13 machinery and equipment may be treated as new equipment and machinery
14 if the certificate holder either brings the machinery and equipment
15 into Washington or makes a retail purchase of the machinery and
16 equipment in Washington or elsewhere.

17 (9) "Qualified employment position" means a permanent full-time
18 employee employed in the eligible investment project during the entire
19 tax year.

20 (10) "Recipient" means a person receiving a tax deferral under this
21 chapter.

22 (11) "Certificate holder" means an applicant to whom a tax deferral
23 certificate has been issued.

24 (12) "Operationally complete" means constructed or improved to the
25 point of being functionally useable for the intended purpose.

26 (13) "Initiation of construction" means that date upon which on-
27 site construction commences.

28 **Sec. 7.** RCW 82.61.070 and 1988 c 41 s 3 are each amended to read
29 as follows:

30 The department and the department of trade and economic development
31 shall jointly report to the legislature about the effects of this
32 chapter on new manufacturing and research and development activities in
33 this state. The report shall contain information concerning the number
34 of deferral certificates granted, the amount of sales tax deferred, the
35 number of jobs created and other information useful in measuring such
36 effects. Reports shall be submitted by January 1, 1986, and by January
37 1 of each year through (~~1995~~) 2001.

1 **Sec. 8.** RCW 82.62.010 and 1988 c 42 s 17 are each amended to read
2 as follows:

3 Unless the context clearly requires otherwise, the definitions in
4 this section apply throughout this chapter.

5 (1) "Applicant" means a person applying for a tax credit under this
6 chapter.

7 (2) "Department" means the department of revenue.

8 (3) "Eligible area" means: (a) A county in which the average level
9 of unemployment for the three years before the year in which an
10 application is filed under this chapter exceeds the average state
11 unemployment for those years by twenty percent; or (b) a metropolitan
12 statistical area, as defined by the office of federal statistical
13 policy and standards, United States department of commerce, in which
14 the average level of unemployment for the calendar year immediately
15 preceding the year in which an application is filed under this chapter
16 exceeds the average state unemployment for such calendar year by twenty
17 percent. (~~Applications under this subsection (3)(b) shall be filed by~~
18 ~~April 30, 1989.~~)

19 (4)(a) "Eligible business project" means manufacturing or research
20 and development activities which are conducted by an applicant in an
21 eligible area at a specific facility: PROVIDED, That the applicant's
22 average full-time qualified employment positions at the specific
23 facility will be at least fifteen percent greater in the year for which
24 the credit is being sought than the applicant's average full-time
25 qualified employment positions at the same facility in the immediately
26 preceding year.

27 (b) "Eligible business project" does not include any portion of a
28 business project undertaken by a light and power business as defined in
29 RCW 82.16.010(5) or that portion of a business project creating
30 qualified full-time employment positions outside an eligible area or
31 those recipients of a sales tax deferral under chapter 82.61 RCW.

32 (5) "Manufacturing" means all activities of a commercial or
33 industrial nature wherein labor or skill is applied, by hand or
34 machinery, to materials so that as a result thereof a new, different,
35 or useful substance or article of tangible personal property is
36 produced for sale or commercial or industrial use and shall include the
37 production or fabrication of specially made or custom made articles.
38 "Manufacturing" also includes computer programming, the production of
39 computer software, and other computer-related services, and the

1 activities performed by research and development laboratories and
2 commercial testing laboratories.

3 (6) "Person" has the meaning given in RCW 82.04.030.

4 (7) "Qualified employment position" means a permanent full-time
5 employee employed in the eligible business project during the entire
6 tax year.

7 (8) "Tax year" means the calendar year in which taxes are due.

8 (9) "Recipient" means a person receiving tax credits under this
9 chapter.

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

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