
SENATE BILL 5543

State of Washington

55th Legislature

1997 Regular Session

By Senators Snyder, West, Bauer, Zarelli, Oke and Fraser; by request of Department of Revenue

Read first time 01/30/97. Referred to Committee on Ways & Means.

1 AN ACT Relating to sales and use tax deferrals for rentals of
2 machinery and equipment used in the installation and construction of
3 investment projects in distressed areas; and amending RCW 82.60.020.

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

5 **Sec. 1.** RCW 82.60.020 and 1996 c 290 s 4 are each amended to read
6 as follows:

7 Unless the context clearly requires otherwise, the definitions in
8 this section apply throughout this chapter.

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

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

12 (3) "Eligible area" means: (a) A county in which the average level
13 of unemployment for the three years before the year in which an
14 application is filed under this chapter exceeds the average state
15 unemployment for those years by twenty percent; (b) a county that has
16 a median household income that is less than seventy-five percent of the
17 state median household income for the previous three years; (c) a
18 metropolitan statistical area, as defined by the office of federal
19 statistical policy and standards, United States department of commerce,

1 in which the average level of unemployment for the calendar year
2 immediately preceding the year in which an application is filed under
3 this chapter exceeds the average state unemployment for such calendar
4 year by twenty percent; (d) a designated community empowerment zone
5 approved under RCW 43.63A.700 or a county containing such a community
6 empowerment zone; (e) a town with a population of less than twelve
7 hundred persons in those counties that are not covered under (a) of
8 this subsection that are timber impact areas as defined in RCW
9 43.31.601; (f) a county designated by the governor as an eligible area
10 under RCW 82.60.047; or (g) a county that is contiguous to a county
11 that qualifies as an eligible area under (a) or (f) of this subsection.

12 (4)(a) "Eligible investment project" means:

13 (i) An investment project in an eligible area as defined in
14 subsection (3)(a), (b), (c), (e), or (f) of this section; or

15 (ii) That portion of an investment project in an eligible area as
16 defined in subsection (3)(d) or (g) of this section which is directly
17 utilized to create at least one new full-time qualified employment
18 position for each three hundred thousand dollars of investment on which
19 a deferral is requested in an application approved before July 1, 1994,
20 and for each seven hundred fifty thousand dollars of investment on
21 which a deferral is requested in an application approved after June 30,
22 1994.

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

28 (c) For purposes of (a)(ii) of this subsection:

29 (i) The department shall consider the entire investment project,
30 including any investment in machinery and equipment that otherwise
31 qualifies for exemption under RCW 82.08.02565 or 82.12.02565, for
32 purposes of determining the portion of the investment project that
33 qualifies for deferral as an eligible investment project; and

34 (ii) The number of new full-time qualified employment positions
35 created by an investment project shall be deemed to be reduced by the
36 number of full-time employment positions maintained by the recipient in
37 any other community in this state that are displaced as a result of the
38 investment project.

1 (d) "Eligible investment project" does not include any portion of
2 an investment project undertaken by a light and power business as
3 defined in RCW 82.16.010(5), other than that portion of a cogeneration
4 project that is used to generate power for consumption within the
5 manufacturing site of which the cogeneration project is an integral
6 part, or investment projects which have already received deferrals
7 under this chapter.

8 (5) "Investment project" means an investment in qualified buildings
9 or qualified machinery and equipment, including labor and services
10 rendered in the planning, installation, and construction of the
11 project. The term includes rentals of machinery and equipment, with or
12 without operator, directly to the person undertaking the investment for
13 use in the installation and construction of a project for which a
14 deferral is requested in an application approved after June 30, 1997.

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

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

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

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

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

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

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

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