

CERTIFICATION OF ENROLLMENT

**SENATE BILL 6348**

55th Legislature  
1998 Regular Session

Passed by the Senate March 9, 1998  
YEAS 48 NAYS 0

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**President of the Senate**

Passed by the House March 4, 1998  
YEAS 97 NAYS 0

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**Speaker of the  
House of Representatives**

Approved

CERTIFICATE

I, Mike O Connell, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 6348** as passed by the Senate and the House of Representatives on the dates hereon set forth.

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**Secretary**

FILED

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**Governor of the State of Washington**

**Secretary of State  
State of Washington**

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**SENATE BILL 6348**

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AS AMENDED BY THE HOUSE

Passed Legislature - 1998 Regular Session

**State of Washington                      55th Legislature                      1998 Regular Session**

**By** Senators Hale and Haugen; by request of Department of Revenue

Read first time 01/16/98.      Referred to Committee on Government Operations.

1            AN ACT Relating to eliminating requirements for filing certificates  
2 or annual summaries for sales and use tax exemptions on manufacturing  
3 machinery and equipment; amending RCW 82.12.02565; reenacting and  
4 amending RCW 82.08.02565; creating a new section; and providing an  
5 effective date.

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

7            **Sec. 1.** RCW 82.08.02565 and 1996 c 247 s 2 and 1996 c 173 s 3 are  
8 each reenacted and amended to read as follows:

9            (1) The tax levied by RCW 82.08.020 shall not apply to sales to a  
10 manufacturer or processor for hire of machinery and equipment used  
11 directly in a manufacturing operation or research and development  
12 operation, or to sales of or charges made for labor and services  
13 rendered in respect to installing, repairing, cleaning, altering, or  
14 improving the machinery and equipment, but only when the purchaser  
15 provides the seller with an exemption certificate in a form and manner  
16 prescribed by the department by rule(~~(, and the purchaser provides the~~  
17 ~~department with a duplicate of the certificate or a summary of exempt~~  
18 ~~sales as the department may require)~~). The seller shall retain a copy  
19 of the certificate for the seller's files.

1 (2) For purposes of this section and RCW 82.12.02565:

2 (a) "Machinery and equipment" means industrial fixtures, devices,  
3 and support facilities, and tangible personal property that becomes an  
4 ingredient or component thereof, including repair parts and replacement  
5 parts. "Machinery and equipment" includes pollution control equipment  
6 installed and used in a manufacturing operation or research and  
7 development operation to prevent air pollution, water pollution, or  
8 contamination that might otherwise result from the manufacturing  
9 operation or research and development operation.

10 (b) "Machinery and equipment" does not include:

11 (i) Hand tools;

12 (ii) Property with a useful life of less than one year;

13 (iii) Buildings, other than machinery and equipment that is  
14 permanently affixed to or becomes a physical part of a building; and

15 (iv) Building fixtures that are not integral to the manufacturing  
16 operation or research and development operation that are permanently  
17 affixed to and become a physical part of a building, such as utility  
18 systems for heating, ventilation, air conditioning, communications,  
19 plumbing, or electrical.

20 (c) Machinery and equipment is "used directly" in a manufacturing  
21 operation or research and development operation if the machinery and  
22 equipment:

23 (i) Acts upon or interacts with an item of tangible personal  
24 property;

25 (ii) Conveys, transports, handles, or temporarily stores an item of  
26 tangible personal property at the manufacturing site;

27 (iii) Controls, guides, measures, verifies, aligns, regulates, or  
28 tests tangible personal property;

29 (iv) Provides physical support for or access to tangible personal  
30 property;

31 (v) Produces power for, or lubricates machinery and equipment;

32 (vi) Produces another item of tangible personal property for use in  
33 the manufacturing operation or research and development operation;

34 (vii) Places tangible personal property in the container, package,  
35 or wrapping in which the tangible personal property is normally sold or  
36 transported; or

37 (viii) Is integral to research and development as defined in RCW  
38 82.63.010.

1 (d) "Manufacturing operation" means the manufacturing of articles,  
2 substances, or commodities for sale as tangible personal property. The  
3 manufacturing operation begins at the point where the raw materials  
4 enter the manufacturing site and ends at the point where the finished  
5 product leaves the manufacturing site. The term also includes that  
6 portion of a cogeneration project that is used to generate power for  
7 consumption within the manufacturing site of which the cogeneration  
8 project is an integral part. The term does not include the production  
9 of electricity by a light and power business as defined in RCW  
10 82.16.010 or the preparation of food products on the premises of a  
11 person selling food products at retail.

12 (e) "Cogeneration" means the simultaneous generation of electrical  
13 energy and low-grade heat from the same fuel.

14 (f) "Research and development operation" means engaging in research  
15 and development as defined in RCW 82.63.010 by a manufacturer or  
16 processor for hire.

17 **Sec. 2.** RCW 82.12.02565 and 1996 c 247 s 3 are each amended to  
18 read as follows:

19 The provisions of this chapter shall not apply in respect to the  
20 use by a manufacturer or processor for hire of machinery and equipment  
21 used directly in a manufacturing operation or research and development  
22 operation(~~(, but only when the user provides the department with:~~

23 ~~(1) An exemption certificate in a form and manner prescribed by the~~  
24 ~~department within sixty days of the first use of the machinery and~~  
25 ~~equipment in this state; or~~

26 ~~(2) An annual summary listing the machinery and equipment by~~  
27 ~~January 31 of the year following the calendar year in which the~~  
28 ~~machinery and equipment is first used in this state)).~~

29 NEW SECTION. **Sec. 3.** The department shall not deny exemptions  
30 under RCW 82.08.02565 or 82.12.02565 solely on the basis of failure to  
31 comply with duplicate certificate or summary filing requirements. The  
32 amendments of RCW 82.08.02565 or 82.12.02565 in this act do not  
33 terminate requirements to file duplicate certificates or summaries in  
34 respect to exemptions claimed for periods before January 1, 1999.

1        NEW SECTION.    **Sec. 4.**    Sections 1 and 2 of this act take effect  
2    January 1, 1999.

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