

CERTIFICATION OF ENROLLMENT

HOUSE BILL 2295

56th Legislature
1999 1st Special Session

Passed by the House May 18, 1999
Yeas 97 Nays 0

Speaker of the House of Representatives

Speaker of the House of Representatives

Passed by the Senate May 19, 1999
Yeas 42 Nays 2

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

We, Dean R. Foster and Timothy A. Martin, Co-Chief Clerks of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2295** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

Chief Clerk

FILED

Secretary of State
State of Washington

HOUSE BILL 2295

Passed Legislature - 1999 1 Special Session

State of Washington 36 Legislature 1999 1 Special Session

By Representatives B. Chandler, Clements, G. Chandler, Sump and
McMorris

Prefiled May 14, 1999. Read first time May 17, 1999.

1 AN ACT Relating to stating the intent of the legislature that the
2 activities of growing or packing agricultural products is not a
3 manufacturing activity; amending RCW 82.04.120, 82.60.020, and
4 82.62.010; creating a new section; and declaring an emergency.

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

6 **Sec. 1.** RCW 82.04.120 and 1999 c 211 s 2 are each amended to read
7 as follows:

8 "To manufacture" embraces all activities of a commercial or
9 industrial nature wherein labor or skill is applied, by hand or
10 machinery, to materials so that as a result thereof a new, different or
11 useful substance or article of tangible personal property is produced
12 for sale or commercial or industrial use, and shall include: (1) The
13 production or fabrication of special made or custom made articles; (2)
14 the production or fabrication of dental appliances, devices,
15 restorations, substitutes, or other dental laboratory products by a
16 dental laboratory or dental technician; (3) cutting, delimiting, and
17 measuring of felled, cut, or taken trees; and (4) crushing and/or
18 blending of rock, sand, stone, gravel, or ore.

1 "To manufacture" shall not include: Conditioning of seed for use
2 in planting; cubing hay or alfalfa; activities which consist of
3 cutting, grading, or ice glazing seafood which has been cooked, frozen,
4 or canned outside this state; ~~((or))~~ the growing, harvesting, or
5 ~~((production))~~ producing of agricultural products; or packing of
6 agricultural products, including sorting, washing, rinsing, grading,
7 waxing, treating with fungicide, packaging, chilling, or placing in
8 controlled atmospheric storage.

9 **Sec. 2.** RCW 82.60.020 and 1999 c 164 s 301 are each amended to
10 read as follows:

11 Unless the context clearly requires otherwise, the definitions in
12 this section apply throughout this chapter.

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

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

16 (3) "Eligible area" means a county with fewer than one hundred
17 persons per square mile as determined annually by the office of
18 financial management and published by the department of revenue
19 effective for the period July 1st through June 30th.

20 (4)(a) "Eligible investment project" means an investment project in
21 an eligible area as defined in subsection (3) of this section.

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

27 (c) "Eligible investment project" does not include any portion of
28 an investment project undertaken by a light and power business as
29 defined in RCW 82.16.010(5), other than that portion of a cogeneration
30 project that is used to generate power for consumption within the
31 manufacturing site of which the cogeneration project is an integral
32 part, or investment projects which have already received deferrals
33 under this chapter.

34 (5) "Investment project" means an investment in qualified buildings
35 or qualified machinery and equipment, including labor and services
36 rendered in the planning, installation, and construction of the
37 project.

1 (6) "Manufacturing" means (~~all activities of a commercial or~~
2 ~~industrial nature wherein labor or skill is applied, by hand or~~
3 ~~machinery, to materials so that as a result thereof a new, different,~~
4 ~~or useful substance or article of tangible personal property is~~
5 ~~produced for sale or commercial or industrial use and shall include the~~
6 ~~production or fabrication of specially made or custom made articles))
7 the same as defined in RCW 82.04.120. "Manufacturing" also includes
8 computer programming, the production of computer software, and other
9 computer-related services, and the activities performed by research and
10 development laboratories and commercial testing laboratories.~~

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

12 (8) "Qualified buildings" means construction of new structures, and
13 expansion or renovation of existing structures for the purpose of
14 increasing floor space or production capacity used for manufacturing
15 and research and development activities, including plant offices and
16 warehouses or other facilities for the storage of raw material or
17 finished goods if such facilities are an essential or an integral part
18 of a factory, mill, plant, or laboratory used for manufacturing or
19 research and development. If a building is used partly for
20 manufacturing or research and development and partly for other
21 purposes, the applicable tax deferral shall be determined by
22 apportionment of the costs of construction under rules adopted by the
23 department.

24 (9) "Qualified machinery and equipment" means all new industrial
25 and research fixtures, equipment, and support facilities that are an
26 integral and necessary part of a manufacturing or research and
27 development operation. "Qualified machinery and equipment" includes:
28 Computers; software; data processing equipment; laboratory equipment;
29 manufacturing components such as belts, pulleys, shafts, and moving
30 parts; molds, tools, and dies; operating structures; and all equipment
31 used to control or operate the machinery.

32 (10) "Recipient" means a person receiving a tax deferral under this
33 chapter.

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

1 **Sec. 3.** RCW 82.62.010 and 1999 c 164 s 305 are each amended to
2 read 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 an area as defined in RCW 82.60.020.

9 (4)(a) "Eligible business project" means manufacturing or research
10 and development activities which are conducted by an applicant in an
11 eligible area at a specific facility, provided the applicant's average
12 full-time qualified employment positions at the specific facility will
13 be at least fifteen percent greater in the year for which the credit is
14 being sought than the applicant's average full-time qualified
15 employment positions at the same facility in the immediately preceding
16 year.

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

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 shall include the~~
27 ~~production or fabrication of specially made or custom made articles))
28 the same as defined in RCW 82.04.120. "Manufacturing" also includes
29 computer programming, the production of computer software, and other
30 computer-related services, and the activities performed by research and
31 development laboratories and commercial testing laboratories.~~

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

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

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

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

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

7 NEW SECTION. **Sec. 4.** This act is intended to clarify that this is
8 the intent of the legislature both retroactively and prospectively.

9 NEW SECTION. **Sec. 5.** If any provision of this act or its
10 application to any person or circumstance is held invalid, the
11 remainder of the act or the application of the provision to other
12 persons or circumstances is not affected.

13 NEW SECTION. **Sec. 6.** This act is necessary for the immediate
14 preservation of the public peace, health, or safety, or support of the
15 state government and its existing public institutions, and takes effect
16 immediately.

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