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HOUSE BILL 1888

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State of Washington

57th Legislature

2001 Regular Session

By Representatives Linville, G. Chandler, Grant, Doumit, B. Chandler, Hatfield and Van Luven

Read first time 02/07/2001. Referred to Committee on Finance.

1 AN ACT Relating to tax exemptions and credits for dairy farmers and  
2 anaerobic digesters; adding new sections to chapter 82.08 RCW; adding  
3 new sections to chapter 82.12 RCW; adding a new section to chapter  
4 82.04 RCW; adding a new section to chapter 84.36 RCW; creating a new  
5 section; and declaring an emergency.

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

7 NEW SECTION. **Sec. 1.** It is the intent of the legislature to  
8 provide tax exemptions and credits to assist dairy farmers to comply  
9 with the dairy nutrient management act, chapter 90.64 RCW, and to  
10 assist public or private entities to establish and operate anaerobic  
11 digesters to treat dairy nutrients on a regional or on-farm basis.

12 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08 RCW  
13 to read as follows:

14 (1) The tax levied by RCW 82.08.020 does not apply to sales to  
15 eligible persons of services rendered in respect to operating,  
16 repairing, cleaning, altering, or improving of dairy nutrient  
17 management equipment and facilities, or to sales of tangible personal  
18 property that becomes an ingredient or component of the equipment and

1 facilities. The equipment and facilities must be used exclusively for  
2 activities necessary to implement a dairy nutrient management plan as  
3 required under chapter 90.64 RCW. This exemption applies to sales made  
4 after the dairy nutrient management plan is certified under chapter  
5 90.64 RCW.

6 (2)(a) The department of revenue must provide an exemption  
7 certificate to an eligible person upon application by that person. The  
8 department of agriculture must provide a list of eligible persons to  
9 the department of revenue. The application must be in a form and  
10 manner prescribed by the department and must contain information  
11 regarding the location of the dairy and other information the  
12 department may require.

13 (b) The exemption is available only when the buyer provides the  
14 seller with an exemption certificate in a form and manner prescribed by  
15 the department. The seller must retain a copy of the certificate for  
16 the seller's files.

17 (3) The definitions in this subsection apply to this section and  
18 section 3 of this act unless the context clearly requires otherwise:

19 (a) "Dairy nutrient management equipment and facilities" means  
20 machinery, equipment, and structures used in the handling and treatment  
21 of dairy manure, such as aerators, agitators, alley scrapers, augers,  
22 dams, gutter cleaners, loaders, lagoons, pipes, pumps, separators, and  
23 tanks. The term also includes tangible personal property that becomes  
24 an ingredient or component of the equipment and facilities, including  
25 repair and replacement parts.

26 (b) "Eligible person" means a person licensed to produce milk under  
27 chapter 15.36 RCW who has a certified dairy nutrient management plan by  
28 December 31, 2003, as required by chapter 90.64 RCW.

29 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.12 RCW  
30 to read as follows:

31 The provisions of this chapter do not apply with respect to the use  
32 by an eligible person of tangible personal property that becomes an  
33 ingredient or component of dairy nutrient management equipment and  
34 facilities, as defined in section 2 of this act. The equipment and  
35 facilities must be used exclusively for activities necessary to  
36 implement a dairy management plan as required under chapter 90.64 RCW.  
37 This exemption applies to the use of tangible personal property made  
38 after the dairy nutrient management plan is certified under chapter

1 90.64 RCW. The exemption certificate and recordkeeping requirements of  
2 section 2 of this act apply to this section.

3 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.08 RCW  
4 to read as follows:

5 (1) The tax levied by RCW 82.08.020 does not apply to sales to an  
6 eligible person establishing or operating an anaerobic digester or to  
7 services rendered in respect to installing, constructing, repairing,  
8 cleaning, altering, or improving an anaerobic digester, or to sales of  
9 tangible personal property that becomes an ingredient or component of  
10 the anaerobic digester. The anaerobic digester must be used primarily  
11 to treat dairy manure.

12 (2)(a) The department of revenue must provide an exemption  
13 certificate to an eligible person upon application by that person. The  
14 application must be in a form and manner prescribed by the department  
15 and must contain information regarding the location of the facility and  
16 other information as the department may require.

17 (b) The exemption is available only when the buyer provides the  
18 seller with an exemption certificate in a form and manner prescribed by  
19 the department. The seller must retain a copy of the certificate for  
20 the seller's files.

21 (3) The definitions in this subsection apply to this section and  
22 section 5 of this act unless the context clearly requires otherwise:

23 (a) "Anaerobic digester" means a facility that processes manure  
24 from cattle into biogas and dried manure using microorganisms in a  
25 decomposition process within a closed, oxygen-free container.

26 (b) "Eligible person" means any person establishing or operating an  
27 anaerobic digester to treat primarily dairy manure.

28 (c) "Primarily" means more than fifty percent measured by volume or  
29 weight.

30 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.12 RCW  
31 to read as follows:

32 The provisions of this chapter do not apply with respect to the use  
33 of anaerobic digesters or tangible personal property that becomes an  
34 ingredient or component of anaerobic digesters to treat primarily dairy  
35 manure by an eligible person establishing or operating an anaerobic  
36 digester, as defined in section 4 of this act.

1        NEW SECTION.    **Sec. 6.**    A new section is added to chapter 82.04 RCW  
2 to read as follows:

3        (1) A person who is eligible for and takes the exemption under  
4 section 4 or 5 of this act may take a credit against tax imposed by  
5 this chapter, subject to the limitations in this section.

6        (2) The credit under this section is equal to fifty percent of the  
7 amount of money expended for constructing facilities or acquiring  
8 tangible personal property for which an exemption was taken under  
9 section 4 or 5 of this act.

10       (3) No application is necessary for the credit under this section.  
11 A person taking the credit must keep records necessary for the  
12 department to verify eligibility under this section. Tax credit may  
13 not be claimed for expenditures that occurred before the effective date  
14 of this section.

15       (4) No applicant is eligible for tax credits under this section in  
16 excess of the amount of tax that would otherwise be due under this  
17 chapter. The credit must be claimed by the due date of the last tax  
18 return for the calendar year in which the payment is made. Any unused  
19 credit expires. Refunds shall not be given in place of credits.

20       NEW SECTION.    **Sec. 7.**    A new section is added to chapter 84.36 RCW  
21 to read as follows:

22       (1) All real and personal property meeting the definition of dairy  
23 nutrient management equipment and facilities that is owned by an  
24 eligible person, as these terms are defined in section 2 of this act,  
25 and exclusively used in the implementation of an approved dairy  
26 nutrient management plan, as required under chapter 90.64 RCW, is  
27 exempt from property taxation for not more than six assessment years  
28 after a claim for the exemption is approved in accordance with  
29 subsection (3) of this section. To qualify for this exemption, the  
30 property must be acquired and/or construction or installation be  
31 completed prior to December 31, 2003.

32       (2) All real and personal property meeting the definition of  
33 anaerobic digester that is owned by an eligible person, as these terms  
34 are defined in section 4 of this act and primarily used for the  
35 treatment of manure from dairy cattle is exempt from property taxation  
36 for the six assessment years after it is acquired, constructed, or  
37 installed.

1 (3) A claim for exemption under this section must be filed annually  
2 with the county assessor on or before the first day of November for  
3 exemption from taxes levied for collection in the following year. The  
4 claim must be submitted on forms prescribed by the department of  
5 revenue and developed in consultation with the department of  
6 agriculture and the conservation commission. The claimant must certify  
7 each year that the property for which exemption is sought meets the  
8 definition of dairy nutrient management equipment and facilities and is  
9 exclusively used in the implementation of an approved dairy nutrient  
10 management plan as required under chapter 90.64 RCW. Alternatively,  
11 the claimant must certify each year that the property for which  
12 exemption is sought meets the definition of anaerobic digester and is  
13 primarily used for the treatment of manure from dairy cattle.

14 (4) If at any time during the six-year exemption period the  
15 property no longer qualifies for the exemption as granted in subsection  
16 (1) or (2) of this section, the property loses its exempt status.

17 NEW SECTION. **Sec. 8.** This act is necessary for the immediate  
18 preservation of the public peace, health, or safety, or support of the  
19 state government and its existing public institutions, and takes effect  
20 immediately.

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