
SUBSTITUTE HOUSE BILL 2732

State of Washington

58th Legislature

2004 Regular Session

By House Committee on Technology, Telecommunications & Energy
(originally sponsored by Representatives Tom, Morris, Ruderman,
Sullivan, Nixon, Crouse, Clements, Hudgins, Pearson, Jarrett and Wood)

READ FIRST TIME 02/06/04.

1 AN ACT Relating to tax deferrals for wood biomass fuel investment
2 projects; amending RCW 82.69.010, 82.69.030, 82.04.4335, 82.08.960, and
3 82.12.960; reenacting and amending RCW 82.04.260 and 82.04.260; adding
4 a new chapter to Title 82 RCW; creating a new section; repealing RCW
5 82.69.040; providing an effective date; and providing contingent
6 expiration dates.

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

8 NEW SECTION. **Sec. 1.** The definitions in this section apply
9 throughout this chapter unless the context clearly requires otherwise.

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

12 (2)(a) "Eligible investment project" means an investment project
13 that meets the criteria in (b) and (c) of this subsection.

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

1 (c) "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, 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 that have already received deferrals under
7 this chapter.

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

10 (4) "Wood biomass fuel" means a pyrolytic liquid fuel or synthesis
11 gas-derived liquid fuel, used in internal combustion engines, and
12 produced from wood, forest, or field residue, or dedicated energy crops
13 that do not include wood pieces that have been treated with chemical
14 preservatives such as creosote, pentachlorophenol, or copper-chroma-
15 arsenic.

16 (5) "Department," "investment project," "manufacturing," "person,"
17 "qualified buildings," "qualified machinery and equipment," and
18 "research and development" have the same meaning as in RCW 82.60.020.

19 NEW SECTION. **Sec. 2.** Application, reporting, administrative, and
20 confidentiality requirements relating to deferral of taxes under this
21 chapter are the same as those in RCW 82.60.030, 82.60.040(2),
22 82.60.060(3), 82.60.070 (1) and (2), 82.60.080, 82.60.090, and
23 82.60.100 for tax deferrals for investment projects in rural counties
24 under chapter 82.60 RCW.

25 NEW SECTION. **Sec. 3.** (1) The department shall issue a sales and
26 use tax deferral certificate for state and local sales and use taxes
27 due under chapters 82.08, 82.12, and 82.14 RCW on each eligible
28 investment project as defined in RCW 82.69.010, if the investment
29 project is undertaken for the purpose of manufacturing wood biomass
30 fuel.

31 (2) This section expires the earlier of:

32 (a) July 1, 2009; or

33 (b) July 1st of the fiscal year following the first calendar year
34 in which the volume of wood biomass fuel manufactured in Washington
35 exceeds twenty percent of the total of the volume of wood biomass fuel
36 and diesel fuel manufactured in Washington, as determined by the

1 department, in consultation with the department of community, trade,
2 and economic development, using data reported by the federal energy
3 information administration.

4 NEW SECTION. **Sec. 4.** Deferred taxes need not be repaid if the
5 department determines that the recipient has met the requirements of
6 this chapter for the seven calendar years following the certification
7 by the department that the investment project has been operationally
8 completed.

9 **Sec. 5.** RCW 82.69.010 and 2003 c 339 s 1 are each amended to read
10 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 effective for the~~
19 ~~period July 1st through June 30th, or a county that has a population of~~
20 ~~less than two hundred twenty five thousand as determined by the office~~
21 ~~of financial management and has an area greater than two hundred~~
22 ~~twenty five square miles.~~

23 ~~(4))~~(a) "Eligible investment project" means an investment project
24 (~~in an eligible area~~) that meets the criteria in (b) and (c) of this
25 subsection.

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

31 (c) "Eligible investment project" does not include any portion of
32 an investment project undertaken by a light and power business as
33 defined in RCW 82.16.010(5), other than that portion of a cogeneration
34 project that is used to generate power for consumption within the
35 manufacturing site of which the cogeneration project is an integral

1 part, or investment projects which have already received deferrals
2 under this chapter.

3 ~~((+5))~~ (4) "Investment project" means an investment in qualified
4 buildings or qualified machinery and equipment, including labor and
5 services rendered in the planning, installation, and construction of
6 the project.

7 ~~((+6))~~ (5) "Manufacturing" means the same as defined in RCW
8 82.04.120. "Manufacturing" also includes computer programming, the
9 production of computer software, and other computer-related services,
10 and the activities performed by research and development laboratories
11 and commercial testing laboratories.

12 ~~((+7))~~ (6) "Person" has the meaning given in RCW 82.04.030.

13 ~~((+8))~~ (7) "Qualified buildings" means construction of new
14 structures, and expansion or renovation of existing structures for the
15 purpose of increasing floor space or production capacity used for
16 manufacturing and research and development activities, including plant
17 offices and warehouses or other facilities for the storage of raw
18 material or finished goods if such facilities are an essential or an
19 integral part of a factory, mill, plant, or laboratory used for
20 manufacturing or research and development. If a building is used
21 partly for manufacturing or research and development and partly for
22 other purposes, the applicable tax deferral shall be determined by
23 apportionment of the costs of construction under rules adopted by the
24 department.

25 ~~((+9))~~ (8) "Qualified machinery and equipment" means all new
26 industrial and research fixtures, equipment, and support facilities
27 that are an integral and necessary part of a manufacturing or research
28 and development operation. "Qualified machinery and equipment"
29 includes: Computers; software; data processing equipment; laboratory
30 equipment; manufacturing components such as belts, pulleys, shafts, and
31 moving parts; molds, tools, and dies; operating structures; and all
32 equipment used to control or operate the machinery.

33 ~~((+10))~~ (9) "Recipient" means a person receiving a tax deferral
34 under this chapter.

35 ~~((+11))~~ (10) "Research and development" means the development,
36 refinement, testing, marketing, and commercialization of a product,
37 service, or process before commercial sales have begun. As used in

1 this subsection, "commercial sales" excludes sales of prototypes or
2 sales for market testing if the total gross receipts from such sales of
3 the product, service, or process do not exceed one million dollars.

4 ~~((+12+))~~ (11) "Wood biomass fuel" means a pyrolytic liquid fuel or
5 synthesis gas-derived liquid fuel, used in internal combustion engines,
6 and produced from wood, forest, or field residue, or dedicated energy
7 crops that do not include wood pieces that have been treated with
8 chemical preservatives such as creosote, pentachlorophenol, or copper-
9 chroma-arsenic.

10 **Sec. 6.** RCW 82.69.030 and 2003 c 339 s 3 are each amended to read
11 as follows:

12 (1) The department shall issue a sales and use tax deferral
13 certificate for state and local sales and use taxes due under chapters
14 82.08, 82.12, and 82.14 RCW on each eligible investment project (~~that~~
15 ~~is located in an eligible area as defined in RCW 82.69.010~~), if the
16 investment project is undertaken for the purpose of manufacturing wood
17 biomass fuel.

18 (2) This section expires the earlier of:

19 (a) July 1, 2009; or

20 (b) July 1st of the fiscal year following the first calendar year
21 in which the volume of wood biomass fuel manufactured in Washington
22 exceeds twenty percent of the total of the volume of diesel fuel and
23 wood biomass fuel manufactured in Washington, as determined by the
24 department, in consultation with the department of community, trade,
25 and economic development, using data reported by the federal energy
26 information administration.

27 **Sec. 7.** RCW 82.04.260 and 2003 c 339 s 11 and 2003 c 261 s 11 are
28 each reenacted and amended to read as follows:

29 (1) Upon every person engaging within this state in the business of
30 manufacturing:

31 (a) Wheat into flour, barley into pearl barley, soybeans into
32 soybean oil, canola into canola oil, canola meal, or canola byproducts,
33 or sunflower seeds into sunflower oil; as to such persons the amount of
34 tax with respect to such business shall be equal to the value of the
35 flour, pearl barley, oil, canola meal, or canola byproduct
36 manufactured, multiplied by the rate of 0.138 percent;

1 (b) Seafood products which remain in a raw, raw frozen, or raw
2 salted state at the completion of the manufacturing by that person; as
3 to such persons the amount of tax with respect to such business shall
4 be equal to the value of the products manufactured, multiplied by the
5 rate of 0.138 percent;

6 (c) By canning, preserving, freezing, processing, or dehydrating
7 fresh fruits and vegetables, or selling at wholesale fresh fruits and
8 vegetables canned, preserved, frozen, processed, or dehydrated by the
9 seller and sold to purchasers who transport in the ordinary course of
10 business the goods out of this state; as to such persons the amount of
11 tax with respect to such business shall be equal to the value of the
12 products canned, preserved, frozen, processed, or dehydrated multiplied
13 by the rate of 0.138 percent. As proof of sale to a person who
14 transports in the ordinary course of business goods out of this state,
15 the seller shall annually provide a statement in a form prescribed by
16 the department and retain the statement as a business record;

17 (d) Dairy products that as of September 20, 2001, are identified in
18 21 C.F.R., chapter 1, parts 131, 133, and 135, including byproducts
19 from the manufacturing of the dairy products such as whey and casein;
20 or selling the same to purchasers who transport in the ordinary course
21 of business the goods out of state; as to such persons the tax imposed
22 shall be equal to the value of the products manufactured multiplied by
23 the rate of 0.138 percent. As proof of sale to a person who transports
24 in the ordinary course of business goods out of this state, the seller
25 shall annually provide a statement in a form prescribed by the
26 department and retain the statement as a business record;

27 (e) Alcohol fuel, biodiesel fuel, or biodiesel feedstock, as those
28 terms are defined in RCW 82.29A.135; as to such persons the amount of
29 tax with respect to the business shall be equal to the value of alcohol
30 fuel, biodiesel fuel, or biodiesel feedstock manufactured, multiplied
31 by the rate of 0.138 percent. This subsection (1)(e) expires July 1,
32 2009; and

33 (f) Alcohol fuel or wood biomass fuel, as those terms are defined
34 in RCW 82.29A.135; as to such persons the amount of tax with respect to
35 the business shall be equal to the value of alcohol fuel or wood
36 biomass fuel manufactured, multiplied by the rate of 0.138 percent.
37 This subsection (1)(f) expires the earlier of July 1, 2009, or July 1st
38 of the fiscal year following the first calendar year in which the

1 volume of wood biomass fuel manufactured in Washington exceeds twenty
2 percent of the total of the volume of diesel fuel and wood biomass fuel
3 manufactured in Washington, as determined by the department, in
4 consultation with the department of community, trade, and economic
5 development, using data reported by the federal energy information
6 administration.

7 (2) Upon every person engaging within this state in the business of
8 splitting or processing dried peas; as to such persons the amount of
9 tax with respect to such business shall be equal to the value of the
10 peas split or processed, multiplied by the rate of 0.138 percent.

11 (3) Upon every nonprofit corporation and nonprofit association
12 engaging within this state in research and development, as to such
13 corporations and associations, the amount of tax with respect to such
14 activities shall be equal to the gross income derived from such
15 activities multiplied by the rate of 0.484 percent.

16 (4) Upon every person engaging within this state in the business of
17 slaughtering, breaking and/or processing perishable meat products
18 and/or selling the same at wholesale only and not at retail; as to such
19 persons the tax imposed shall be equal to the gross proceeds derived
20 from such sales multiplied by the rate of 0.138 percent.

21 (5) Upon every person engaging within this state in the business of
22 making sales, at retail or wholesale, of nuclear fuel assemblies
23 manufactured by that person, as to such persons the amount of tax with
24 respect to such business shall be equal to the gross proceeds of sales
25 of the assemblies multiplied by the rate of 0.275 percent.

26 (6) Upon every person engaging within this state in the business of
27 manufacturing nuclear fuel assemblies, as to such persons the amount of
28 tax with respect to such business shall be equal to the value of the
29 products manufactured multiplied by the rate of 0.275 percent.

30 (7) Upon every person engaging within this state in the business of
31 acting as a travel agent or tour operator; as to such persons the
32 amount of the tax with respect to such activities shall be equal to the
33 gross income derived from such activities multiplied by the rate of
34 0.275 percent.

35 (8) Upon every person engaging within this state in business as an
36 international steamship agent, international customs house broker,
37 international freight forwarder, vessel and/or cargo charter broker in
38 foreign commerce, and/or international air cargo agent; as to such

1 persons the amount of the tax with respect to only international
2 activities shall be equal to the gross income derived from such
3 activities multiplied by the rate of 0.275 percent.

4 (9) Upon every person engaging within this state in the business of
5 stevedoring and associated activities pertinent to the movement of
6 goods and commodities in waterborne interstate or foreign commerce; as
7 to such persons the amount of tax with respect to such business shall
8 be equal to the gross proceeds derived from such activities multiplied
9 by the rate of 0.275 percent. Persons subject to taxation under this
10 subsection shall be exempt from payment of taxes imposed by chapter
11 82.16 RCW for that portion of their business subject to taxation under
12 this subsection. Stevedoring and associated activities pertinent to
13 the conduct of goods and commodities in waterborne interstate or
14 foreign commerce are defined as all activities of a labor, service or
15 transportation nature whereby cargo may be loaded or unloaded to or
16 from vessels or barges, passing over, onto or under a wharf, pier, or
17 similar structure; cargo may be moved to a warehouse or similar holding
18 or storage yard or area to await further movement in import or export
19 or may move to a consolidation freight station and be stuffed,
20 unstuffed, containerized, separated or otherwise segregated or
21 aggregated for delivery or loaded on any mode of transportation for
22 delivery to its consignee. Specific activities included in this
23 definition are: Wharfage, handling, loading, unloading, moving of
24 cargo to a convenient place of delivery to the consignee or a
25 convenient place for further movement to export mode; documentation
26 services in connection with the receipt, delivery, checking, care,
27 custody and control of cargo required in the transfer of cargo;
28 imported automobile handling prior to delivery to consignee; terminal
29 stevedoring and incidental vessel services, including but not limited
30 to plugging and unplugging refrigerator service to containers,
31 trailers, and other refrigerated cargo receptacles, and securing ship
32 hatch covers.

33 (10) Upon every person engaging within this state in the business
34 of disposing of low-level waste, as defined in RCW 43.145.010; as to
35 such persons the amount of the tax with respect to such business shall
36 be equal to the gross income of the business, excluding any fees
37 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3
38 percent.

1 If the gross income of the taxpayer is attributable to activities
2 both within and without this state, the gross income attributable to
3 this state shall be determined in accordance with the methods of
4 apportionment required under RCW 82.04.460.

5 (11) Upon every person engaging within this state as an insurance
6 agent, insurance broker, or insurance solicitor licensed under chapter
7 48.17 RCW; as to such persons, the amount of the tax with respect to
8 such licensed activities shall be equal to the gross income of such
9 business multiplied by the rate of 0.484 percent.

10 (12) Upon every person engaging within this state in business as a
11 hospital, as defined in chapter 70.41 RCW, that is operated as a
12 nonprofit corporation or by the state or any of its political
13 subdivisions, as to such persons, the amount of tax with respect to
14 such activities shall be equal to the gross income of the business
15 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
16 percent thereafter. The moneys collected under this subsection shall
17 be deposited in the health services account created under RCW
18 43.72.900.

19 **Sec. 8.** RCW 82.04.260 and 2003 2nd sp.s. c 1 s 4 and 2003 2nd
20 sp.s. c 1 s 3 are each reenacted and amended to read as follows:

21 (1) Upon every person engaging within this state in the business of
22 manufacturing:

23 (a) Wheat into flour, barley into pearl barley, soybeans into
24 soybean oil, canola into canola oil, canola meal, or canola byproducts,
25 or sunflower seeds into sunflower oil; as to such persons the amount of
26 tax with respect to such business shall be equal to the value of the
27 flour, pearl barley, oil, canola meal, or canola byproduct
28 manufactured, multiplied by the rate of 0.138 percent;

29 (b) Seafood products which remain in a raw, raw frozen, or raw
30 salted state at the completion of the manufacturing by that person; as
31 to such persons the amount of tax with respect to such business shall
32 be equal to the value of the products manufactured, multiplied by the
33 rate of 0.138 percent;

34 (c) By canning, preserving, freezing, processing, or dehydrating
35 fresh fruits and vegetables, or selling at wholesale fresh fruits and
36 vegetables canned, preserved, frozen, processed, or dehydrated by the
37 seller and sold to purchasers who transport in the ordinary course of

1 business the goods out of this state; as to such persons the amount of
2 tax with respect to such business shall be equal to the value of the
3 products canned, preserved, frozen, processed, or dehydrated multiplied
4 by the rate of 0.138 percent. As proof of sale to a person who
5 transports in the ordinary course of business goods out of this state,
6 the seller shall annually provide a statement in a form prescribed by
7 the department and retain the statement as a business record;

8 (d) Dairy products that as of September 20, 2001, are identified in
9 21 C.F.R., chapter 1, parts 131, 133, and 135, including byproducts
10 from the manufacturing of the dairy products such as whey and casein;
11 or selling the same to purchasers who transport in the ordinary course
12 of business the goods out of state; as to such persons the tax imposed
13 shall be equal to the value of the products manufactured multiplied by
14 the rate of 0.138 percent. As proof of sale to a person who transports
15 in the ordinary course of business goods out of this state, the seller
16 shall annually provide a statement in a form prescribed by the
17 department and retain the statement as a business record;

18 (e) Alcohol fuel, biodiesel fuel, or biodiesel feedstock, as those
19 terms are defined in RCW 82.29A.135; as to such persons the amount of
20 tax with respect to the business shall be equal to the value of alcohol
21 fuel, biodiesel fuel, or biodiesel feedstock manufactured, multiplied
22 by the rate of 0.138 percent. This subsection (1)(e) expires July 1,
23 2009; and

24 (f) Alcohol fuel or wood biomass fuel, as those terms are defined
25 in RCW 82.29A.135; as to such persons the amount of tax with respect to
26 the business shall be equal to the value of alcohol fuel or wood
27 biomass fuel manufactured, multiplied by the rate of 0.138 percent.
28 This subsection (1)(f) expires the earlier of July 1, 2009, or July 1st
29 of the fiscal year following the first calendar year in which the
30 volume of wood biomass fuel manufactured in Washington exceeds twenty
31 percent of the total of the volume of diesel fuel and wood biomass fuel
32 manufactured in Washington, as determined by the department, in
33 consultation with the department of community, trade, and economic
34 development, using data reported by the federal energy information
35 administration.

36 (2) Upon every person engaging within this state in the business of
37 splitting or processing dried peas; as to such persons the amount of

1 tax with respect to such business shall be equal to the value of the
2 peas split or processed, multiplied by the rate of 0.138 percent.

3 (3) Upon every nonprofit corporation and nonprofit association
4 engaging within this state in research and development, as to such
5 corporations and associations, the amount of tax with respect to such
6 activities shall be equal to the gross income derived from such
7 activities multiplied by the rate of 0.484 percent.

8 (4) Upon every person engaging within this state in the business of
9 slaughtering, breaking and/or processing perishable meat products
10 and/or selling the same at wholesale only and not at retail; as to such
11 persons the tax imposed shall be equal to the gross proceeds derived
12 from such sales multiplied by the rate of 0.138 percent.

13 (5) Upon every person engaging within this state in the business of
14 making sales, at retail or wholesale, of nuclear fuel assemblies
15 manufactured by that person, as to such persons the amount of tax with
16 respect to such business shall be equal to the gross proceeds of sales
17 of the assemblies multiplied by the rate of 0.275 percent.

18 (6) Upon every person engaging within this state in the business of
19 manufacturing nuclear fuel assemblies, as to such persons the amount of
20 tax with respect to such business shall be equal to the value of the
21 products manufactured multiplied by the rate of 0.275 percent.

22 (7) Upon every person engaging within this state in the business of
23 acting as a travel agent or tour operator; as to such persons the
24 amount of the tax with respect to such activities shall be equal to the
25 gross income derived from such activities multiplied by the rate of
26 0.275 percent.

27 (8) Upon every person engaging within this state in business as an
28 international steamship agent, international customs house broker,
29 international freight forwarder, vessel and/or cargo charter broker in
30 foreign commerce, and/or international air cargo agent; as to such
31 persons the amount of the tax with respect to only international
32 activities shall be equal to the gross income derived from such
33 activities multiplied by the rate of 0.275 percent.

34 (9) Upon every person engaging within this state in the business of
35 stevedoring and associated activities pertinent to the movement of
36 goods and commodities in waterborne interstate or foreign commerce; as
37 to such persons the amount of tax with respect to such business shall
38 be equal to the gross proceeds derived from such activities multiplied

1 by the rate of 0.275 percent. Persons subject to taxation under this
2 subsection shall be exempt from payment of taxes imposed by chapter
3 82.16 RCW for that portion of their business subject to taxation under
4 this subsection. Stevedoring and associated activities pertinent to
5 the conduct of goods and commodities in waterborne interstate or
6 foreign commerce are defined as all activities of a labor, service or
7 transportation nature whereby cargo may be loaded or unloaded to or
8 from vessels or barges, passing over, onto or under a wharf, pier, or
9 similar structure; cargo may be moved to a warehouse or similar holding
10 or storage yard or area to await further movement in import or export
11 or may move to a consolidation freight station and be stuffed,
12 unstuffed, containerized, separated or otherwise segregated or
13 aggregated for delivery or loaded on any mode of transportation for
14 delivery to its consignee. Specific activities included in this
15 definition are: Wharfage, handling, loading, unloading, moving of
16 cargo to a convenient place of delivery to the consignee or a
17 convenient place for further movement to export mode; documentation
18 services in connection with the receipt, delivery, checking, care,
19 custody and control of cargo required in the transfer of cargo;
20 imported automobile handling prior to delivery to consignee; terminal
21 stevedoring and incidental vessel services, including but not limited
22 to plugging and unplugging refrigerator service to containers,
23 trailers, and other refrigerated cargo receptacles, and securing ship
24 hatch covers.

25 (10) Upon every person engaging within this state in the business
26 of disposing of low-level waste, as defined in RCW 43.145.010; as to
27 such persons the amount of the tax with respect to such business shall
28 be equal to the gross income of the business, excluding any fees
29 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3
30 percent.

31 If the gross income of the taxpayer is attributable to activities
32 both within and without this state, the gross income attributable to
33 this state shall be determined in accordance with the methods of
34 apportionment required under RCW 82.04.460.

35 (11) Upon every person engaging within this state as an insurance
36 agent, insurance broker, or insurance solicitor licensed under chapter
37 48.17 RCW; as to such persons, the amount of the tax with respect to

1 such licensed activities shall be equal to the gross income of such
2 business multiplied by the rate of 0.484 percent.

3 (12) Upon every person engaging within this state in business as a
4 hospital, as defined in chapter 70.41 RCW, that is operated as a
5 nonprofit corporation or by the state or any of its political
6 subdivisions, as to such persons, the amount of tax with respect to
7 such activities shall be equal to the gross income of the business
8 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
9 percent thereafter. The moneys collected under this subsection shall
10 be deposited in the health services account created under RCW
11 43.72.900.

12 (13)(a) Beginning October 1, 2005, upon every person engaging
13 within this state in the business of manufacturing commercial
14 airplanes, or components of such airplanes, as to such persons the
15 amount of tax with respect to such business shall, in the case of
16 manufacturers, be equal to the value of the product manufactured, or in
17 the case of processors for hire, be equal to the gross income of the
18 business, multiplied by the rate of:

19 (i) 0.4235 percent from October 1, 2005, through the later of June
20 30, 2007, or the day preceding the date final assembly of a
21 superefficient airplane begins in Washington state, as determined under
22 RCW 82.32.550; and

23 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the
24 date final assembly of a superefficient airplane begins in Washington
25 state, as determined under RCW 82.32.550.

26 (b) Beginning October 1, 2005, upon every person engaging within
27 this state in the business of making sales, at retail or wholesale, of
28 commercial airplanes, or components of such airplanes, manufactured by
29 that person, as to such persons the amount of tax with respect to such
30 business shall be equal to the gross proceeds of sales of the airplanes
31 or components multiplied by the rate of:

32 (i) 0.4235 percent from October 1, 2005, through the later of June
33 30, 2007, or the day preceding the date final assembly of a
34 superefficient airplane begins in Washington state, as determined under
35 RCW 82.32.550; and

36 (ii) 0.2904 percent beginning on the later of July 1, 2007, or the
37 date final assembly of a superefficient airplane begins in Washington
38 state, as determined under RCW 82.32.550.

1 (c) For the purposes of this subsection (13), "commercial
2 airplane," "component," and "final assembly of a superefficient
3 airplane" have the meanings given in RCW 82.32.550.

4 (d) In addition to all other requirements under this title, a
5 person eligible for the tax rate under this subsection (13) must report
6 as required under RCW 82.32.545.

7 (e) This subsection (13) does not apply after the earlier of: July
8 1, 2024; or December 31, 2007, if assembly of a superefficient airplane
9 does not begin by December 31, 2007, as determined under RCW 82.32.550.

10 **Sec. 9.** RCW 82.04.4335 and 2003 c 339 s 12 are each amended to
11 read as follows:

12 (1) In computing tax there may be deducted from the measure of tax
13 amounts received from the retail sale, or for the distribution, of wood
14 biomass fuel.

15 (2) For the purposes of this (~~act~~[~~section~~]) section, the
16 following definitions apply:

17 (a) "Wood biomass fuel" means a pyrolytic liquid fuel or synthesis
18 gas-derived liquid fuel, used in internal combustion engines, and
19 produced from wood, forest, or field residue, or dedicated energy crops
20 that do not include wood pieces that have been treated with chemical
21 preservatives such as creosote, pentachlorophenol, or copper-chroma-
22 arsenic.

23 (b) "Distribution" means any of the actions specified in RCW
24 82.36.020(2).

25 (3) This section expires the earlier of July 1, 2009, or July 1st
26 of the fiscal year following the first calendar year in which the
27 volume of wood biomass fuel manufactured in Washington exceeds twenty
28 percent of the total of the volume of diesel fuel and wood biomass fuel
29 manufactured in Washington, as determined by the department, in
30 consultation with the department of community, trade, and economic
31 development, using data reported by the federal energy information
32 administration.

33 **Sec. 10.** RCW 82.08.960 and 2003 c 339 s 13 are each amended to
34 read as follows:

35 (1) The tax levied by RCW 82.08.020 does not apply to sales of
36 machinery and equipment, or to services rendered in respect to

1 constructing structures, installing, constructing, repairing, cleaning,
2 decorating, altering, or improving of structures or machinery and
3 equipment, or to sales of tangible personal property that becomes an
4 ingredient or component of structures or machinery and equipment, if
5 the machinery, equipment, or structure is used directly for the retail
6 sale of a wood biomass fuel blend. Structures and machinery and
7 equipment that are used for the retail sale of a wood biomass fuel
8 blend and for other purposes are exempt only on the portion used
9 directly for the retail sale of a wood biomass fuel blend.

10 (2) The tax levied by RCW 82.08.020 does not apply to sales of fuel
11 delivery vehicles or to sales of or charges made for labor and services
12 rendered in respect to installing, repairing, cleaning, altering, or
13 improving the vehicles including repair parts and replacement parts if
14 at least seventy-five percent of the fuel distributed by the vehicles
15 is a wood biomass fuel blend.

16 (3) A person taking the exemption under this section must keep
17 records necessary for the department to verify eligibility under this
18 section. The exemption is available only when the buyer provides the
19 seller with an exemption certificate in a form and manner prescribed by
20 the department. The seller shall retain a copy of the certificate for
21 the seller's files.

22 (4) For the purposes of this section, the definitions in RCW
23 82.69.010 and this subsection apply.

24 (a) "Wood biomass fuel blend" means fuel that contains at least
25 twenty percent wood biomass fuel by volume.

26 (b) "Machinery and equipment" means industrial fixtures, devices,
27 and support facilities and tangible personal property that becomes an
28 ingredient or component thereof, including repair parts and replacement
29 parts that are integral and necessary for the delivery of a wood
30 biomass fuel blend into the fuel tank of a motor vehicle.

31 (5) This section expires the earlier of July 1, 2009, or July 1st
32 of the fiscal year following the first calendar year in which the
33 volume of wood biomass fuel manufactured in Washington exceeds twenty
34 percent of the total of the volume of diesel fuel and wood biomass fuel
35 manufactured in Washington, as determined by the department, in
36 consultation with the department of community, trade, and economic
37 development, using data reported by the federal energy information
38 administration.

1 **Sec. 11.** RCW 82.12.960 and 2003 c 339 s 14 are each amended to
2 read as follows:

3 (1) The provisions of this chapter do not apply in respect to the
4 use of machinery and equipment, or to services rendered in respect to
5 installing, repairing, cleaning, altering, or improving of eligible
6 machinery and equipment, or tangible personal property that becomes an
7 ingredient or component of machinery and equipment used directly for
8 the retail sale of a wood biomass fuel blend.

9 (2) The provisions of this chapter do not apply in respect to the
10 use of fuel delivery vehicles including repair parts and replacement
11 parts and to services rendered in respect to installing, repairing,
12 cleaning, altering, or improving the vehicles if at least seventy-five
13 percent of the fuel distributed by the vehicles is a wood biomass fuel
14 blend.

15 (3) For the purposes of this section, the definitions in RCW
16 82.08.960 apply.

17 (4) This section expires the earlier of July 1, 2009, or July 1st
18 of the fiscal year following the first calendar year in which the
19 volume of wood biomass fuel manufactured in Washington exceeds twenty
20 percent of the total of the volume of diesel fuel and wood biomass fuel
21 manufactured in Washington, as determined by the department, in
22 consultation with the department of community, trade, and economic
23 development, using data reported by the federal energy information
24 administration.

25 NEW SECTION. **Sec. 12.** RCW 82.69.040 (Additional investment
26 projects that qualify for sales and use tax deferral) and 2003 c 339 s
27 4 are each repealed.

28 NEW SECTION. **Sec. 13.** (1) Sections 5 and 6 of this act are null
29 and void if RCW 82.60.050 is effective after June 30, 2004.

30 (2) Sections 1 through 4 of this act are null and void if RCW
31 82.60.050 expires July 1, 2004.

32 NEW SECTION. **Sec. 14.** Sections 1 through 4 of this act constitute
33 a new chapter in Title 82 RCW.

1 NEW SECTION. **Sec. 15.** This act takes effect July 1, 2004.

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