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ENGROSSED SUBSTITUTE HOUSE BILL 3116

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State of Washington

58th Legislature

2004 Regular Session

By House Committee on Finance (originally sponsored by Representatives Murray, Cairnes, Sehlin, Sommers, McIntire, Lovick, Hatfield, Kenney, Morrell and Santos)

READ FIRST TIME 02/10/04.

1 AN ACT Relating to modifying tax exemptions for blood banks, bone  
2 or tissue banks, and comprehensive cancer centers; amending RCW  
3 82.04.324, 82.08.02805, 82.12.02747, and 84.36.035; and creating new  
4 sections.

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

6 NEW SECTION. **Sec. 1.** The legislature provided tax relief to  
7 blood, bone, and tissue banks in chapter 9, Laws of 1995 2nd sp. sess.  
8 The legislature finds that the availability of this tax relief for bone  
9 and tissue banks has been called into doubt as a result of litigation.  
10 The legislature intends to confirm its intent that bone and tissue  
11 banks are entitled to the tax relief provided by chapter 9, Laws of  
12 1995 2nd sp. sess. Therefore, this act applies retroactively.

13 **Sec. 2.** RCW 82.04.324 and 1995 2nd sp.s. c 9 s 3 are each amended  
14 to read as follows:

15 (1) ~~((As used in this section:~~

16 ~~(a) "Blood" includes human whole blood, plasma, blood derivatives,~~  
17 ~~and related products.~~

18 ~~(b) "Bone" includes human bone, bone marrow, and related products.~~

1       ~~(c) "Tissue" includes human musculoskeletal tissue, musculoskeletal~~  
2 ~~tissue derivatives, and related products.~~

3       ~~(d) "Blood, bone, or tissue bank" means an organization exempt from~~  
4 ~~federal income tax under section 501(c)(3) of the federal internal~~  
5 ~~revenue code, organized solely for the purpose of performing research~~  
6 ~~on, procuring, testing, processing, storing, packaging, distributing,~~  
7 ~~or using blood, bone, or tissue.~~

8       ~~(e) "Medical supplies" means any item of tangible personal~~  
9 ~~property, including any repair and replacement parts for such tangible~~  
10 ~~personal property, used by a blood, tissue, or bone bank for the~~  
11 ~~purpose of performing research on, procuring, testing, processing,~~  
12 ~~storing, packaging, distributing, or using blood, bone, or tissue. The~~  
13 ~~term includes tangible personal property used to:~~

14       ~~(i) Provide preparatory treatment of blood, bone, or tissue;~~

15       ~~(ii) Control, guide, measure, tune, verify, align, regulate, test,~~  
16 ~~or physically support blood, bone, or tissue; and~~

17       ~~(iii) Protect the health and safety of employees or others present~~  
18 ~~during research on, procuring, testing, processing, storing, packaging,~~  
19 ~~distributing, or using blood, bone, or tissue.~~

20       ~~(f) "Chemical" means any catalyst, solvent, water, acid, oil, or~~  
21 ~~other additive that physically or chemically interacts with blood,~~  
22 ~~bone, or tissue.~~

23       ~~(g) "Materials" means any item of tangible personal property,~~  
24 ~~including, but not limited to, bags, packs, collecting sets, filtering~~  
25 ~~materials, testing reagents, antisera, and refrigerants used or~~  
26 ~~consumed in performing research on, procuring, testing, processing,~~  
27 ~~storing, packaging, distributing, or using blood, bone, or tissue.~~

28       ~~(h) "Research" means basic and applied research that has as its~~  
29 ~~objective the design, development, refinement, testing, marketing, or~~  
30 ~~commercialization of a product, service, or process.~~

31       ~~(2)) This chapter does not apply to amounts received by a~~  
32 ~~qualifying blood(~~(, bone, or)~~) bank, a qualifying tissue (~~(banks)~~)~~  
33 ~~bank, or a qualifying blood and tissue bank to the extent the amounts~~  
34 ~~are exempt from federal income tax.~~

35       ~~(2) For the purposes of this section:~~

36       ~~(a) "Qualifying blood bank" means a blood bank that qualifies as an~~  
37 ~~exempt organization under 26 U.S.C. 501(c)(3) as existing on the~~  
38 ~~effective date of this section, is registered pursuant to 21 C.F.R.,~~

1 part 607 as existing on the effective date of this section, and whose  
2 primary business purpose is the collection, preparation, and processing  
3 of blood. "Qualifying blood bank" does not include a comprehensive  
4 cancer center that is recognized as such by the national cancer  
5 institute.

6 (b) "Qualifying tissue bank" means a tissue bank that qualifies as  
7 an exempt organization under 26 U.S.C. 501(c)(3) as existing on the  
8 effective date of this section, is registered pursuant to 21 C.F.R.,  
9 part 1271 as existing on the effective date of this section, and whose  
10 primary business purpose is the recovery, processing, storage,  
11 labeling, packaging, or distribution of human eye tissue. "Qualifying  
12 tissue bank" does not include a comprehensive cancer center that is  
13 recognized as such by the national cancer institute.

14 (c) "Qualifying blood and tissue bank" is a bank that qualifies as  
15 an exempt organization under 26 U.S.C. 501(c)(3) as existing on the  
16 effective date of this section, is registered pursuant to 21 C.F.R.,  
17 part 607 and part 1271 as existing on the effective date of this  
18 section, and whose primary business purpose is the collection,  
19 preparation, and processing of blood, and the recovery, processing,  
20 storage, labeling, packaging, or distribution of human bone tissue,  
21 ligament tissue and similar musculoskeletal tissues, skin tissue, and  
22 heart valve tissue. "Qualifying blood and tissue bank" does not  
23 include a comprehensive cancer center that is recognized as such by the  
24 national cancer institute.

25 **Sec. 3.** RCW 82.08.02805 and 1995 2nd sp.s. c 9 s 4 are each  
26 amended to read as follows:

27 (1) The tax levied by RCW 82.08.020 does not apply to the sale of  
28 medical supplies, chemicals, or materials to a qualifying blood(~~(~~  
29 ~~bone, or~~) bank, a qualifying tissue bank, or a qualifying blood and  
30 tissue bank. (~~The definitions in RCW 82.04.324 apply to this~~  
31 ~~section.~~) The exemption in this section does not apply to the sale of  
32 construction materials, office equipment, building equipment,  
33 administrative supplies, or vehicles.

34 (2) For the purposes of this section, the following definitions  
35 apply:

36 (a) "Medical supplies" means any item of tangible personal  
37 property, including any repair and replacement parts for such tangible

1 personal property, used by a qualifying blood bank, a qualifying tissue  
2 bank, or a qualifying blood and tissue bank for the purpose of  
3 performing research on, procuring, testing, processing, storing,  
4 packaging, distributing, or using blood, bone, or tissue. The term  
5 includes tangible personal property used to:

6 (i) Provide preparatory treatment of blood, bone, or tissue;

7 (ii) Control, guide, measure, tune, verify, align, regulate, test,  
8 or physically support blood, bone, or tissue; and

9 (iii) Protect the health and safety of employees or others present  
10 during research on, procuring, testing, processing, storing, packaging,  
11 distributing, or using blood, bone, or tissue.

12 (b) "Chemical" means any catalyst, solvent, water, acid, oil, or  
13 other additive that physically or chemically interacts with blood,  
14 bone, or tissue.

15 (c) "Materials" means any item of tangible personal property,  
16 including, but not limited to, bags, packs, collecting sets, filtering  
17 materials, testing reagents, antisera, and refrigerants used or  
18 consumed in performing research on, procuring, testing, processing,  
19 storing, packaging, distributing, or using blood, bone, or tissue.

20 (d) "Research" means basic and applied research that has as its  
21 objective the design, development, refinement, testing, marketing, or  
22 commercialization of a product, service, or process.

23 (e) The definitions in RCW 82.04.324 apply to this section.

24 **Sec. 4.** RCW 82.12.02747 and 1995 2nd sp.s. c 9 s 5 are each  
25 amended to read as follows:

26 (1) The provisions of this chapter do not apply in respect to the  
27 use of medical supplies, chemicals, or materials by a qualifying  
28 blood(~~, bone, or~~) bank, a qualifying tissue bank, or a qualifying  
29 blood and tissue bank. ((The definitions in RCW 82.04.324 apply to  
30 this section.)) The exemption in this section does not apply to the  
31 use of construction materials, office equipment, building equipment,  
32 administrative supplies, or vehicles.

33 (2) The definitions in RCW 82.04.324 and 82.08.02805 apply to this  
34 section.

35 **Sec. 5.** RCW 84.36.035 and 1995 2nd sp.s. c 9 s 1 are each amended  
36 to read as follows:

1        (1) The following property shall be exempt from taxation:

2        All property, whether real or personal, belonging to or leased by  
3 any nonprofit corporation or association and used exclusively in the  
4 business of a qualifying blood(~~(, bone, or)~~) bank, a qualifying tissue  
5 bank (~~(as defined in RCW 82.04.324)~~), or a qualifying blood and tissue  
6 bank, or in the administration of (~~(such business)~~) these businesses.  
7 If the real or personal property is leased, the benefit of the  
8 exemption shall inure to the nonprofit corporation or association.

9        (2) The definitions in RCW 82.04.324 apply to this section.

10        NEW SECTION.    **Sec. 6.** This act applies retroactively to July 1,  
11 1995.

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