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**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(( $\tau$ )) bank or a qualifying bone(( $\tau$ )) or tissue~~  
33 ~~((banks)) bank, to the extent the amounts are exempt from federal~~  
34 ~~income tax.~~

35 (2) For the purposes of this section:

36 (a) "Blood" means whole human blood, plasma, or serum or any  
37 product derived from human whole blood, plasma, or serum.

1       (b) "Qualifying blood bank" means a blood bank that qualifies as an  
2 exempt organization under 26 U.S.C. 501(c)(3) as existing on the  
3 effective date of this section, is registered pursuant to 21 C.F.R.,  
4 part 607 as existing on the effective date of this section, and whose  
5 primary business purpose is the collection, preparation, processing,  
6 and compatibility testing of blood and the administering of blood  
7 transfusion services.

8       (c) "Qualifying bone or tissue bank" means a bone or tissue bank  
9 that qualifies as an exempt organization under 26 U.S.C. 501(c)(3) as  
10 existing on the effective date of this section, is registered pursuant  
11 to 21 C.F.R., part 1271 as existing on the effective date of this  
12 section, and whose primary business purpose is the recovery,  
13 processing, storage, labeling, packaging, or distribution of any human  
14 cell or tissue, and the screening or testing of the cell or tissue  
15 donor.

16       (d) "Tissue" means articles containing or consisting of human cells  
17 or tissues that are intended for implantation, transplantation,  
18 infusion, or transfer into a human recipient, including but not limited  
19 to bone, ligament, skin, dura matter, heart valve, and cornea.

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

22       (1) The tax levied by RCW 82.08.020 does not apply to the sale of  
23 medical supplies, chemicals, or materials to a qualifying blood((τ))  
24 bank or a qualifying bone((τ)) or tissue bank. ((The definitions in  
25 RCW 82.04.324 apply to this section.)) The exemption in this section  
26 does not apply to the sale of construction materials, office equipment,  
27 building equipment, administrative supplies, or vehicles.

28       (2) For the purposes of this section, the following definitions  
29 apply:

30       (a) "Medical supplies" means any item of tangible personal  
31 property, including any repair and replacement parts for such tangible  
32 personal property, used by a qualifying blood bank or a qualifying bone  
33 or tissue bank for the purpose of performing research on, procuring,  
34 testing, processing, storing, packaging, distributing, or using blood,  
35 bone, or tissue. The term includes tangible personal property used to:

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

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

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

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

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

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

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

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

20 (1) The provisions of this chapter do not apply in respect to the  
21 use of medical supplies, chemicals, or materials by a qualifying  
22 blood((~~τ~~)) bank or a qualifying bone((~~τ~~)) or tissue bank. ((The  
23 definitions in RCW 82.04.324 apply to this section.)) The exemption in  
24 this section does not apply to the use of construction materials,  
25 office equipment, building equipment, administrative supplies, or  
26 vehicles.

27 (2) The definitions in RCW 82.04.324 and 82.08.02805 apply to this  
28 section.

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

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

32 All property, whether real or personal, belonging to or leased by  
33 any nonprofit corporation or association and used exclusively in the  
34 business of a qualifying blood((~~τ~~)) bank or a qualifying bone((~~τ~~)) or  
35 tissue bank ((~~as defined in RCW 82.04.324~~)), or in the administration

1 of (~~such business~~) these businesses. If the real or personal  
2 property is leased, the benefit of the exemption shall inure to the  
3 nonprofit corporation or association.

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

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

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