
HOUSE BILL 1121

State of Washington 59th Legislature 2005 Regular Session

By Representatives Ericksen, Orcutt, Schindler, Shabro, Roach, McCune, DeBolt, Holmquist, Kessler, Haler and Dunn

Read first time 01/14/2005. Referred to Committee on Finance.

1 AN ACT Relating to tax relief for paper manufacturers; amending RCW
2 82.12.022; reenacting and amending RCW 82.04.440; adding new sections
3 to chapter 82.04 RCW; adding a new section to chapter 82.16 RCW;
4 providing an effective date; and declaring an emergency.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW,
7 to be codified between RCW 82.04.020 and 82.04.220, to read as follows:
8 "Paper manufacturer" means a person that is primarily engaged in
9 manufacturing pulp, paper, newsprint, or paperboard.

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

12 (1) Upon every person who is a paper manufacturer engaging within
13 this state in the business of manufacturing paper and who has acquired
14 and uses pressurized steam pulp washing technology; as to such persons
15 the 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 .2904 percent.

1 (2) Upon every person who is a paper manufacturer engaging within
2 this state in the business of making sales at wholesale of paper
3 manufactured by that person and who has acquired and uses pressurized
4 steam pulp washing technology; as to such persons the amount of tax
5 with respect to such business shall be equal to the gross proceeds of
6 sales of the paper multiplied by the rate of .2904 percent.

7 (3) To be eligible for the rates under this section, a person must
8 submit, along with the person's first tax return after installation, an
9 affidavit in a form and manner required by the department that
10 indicates that the person has acquired and installed pressurized steam
11 pulp washing technology. An eligible person's activities are subject
12 to a rate under this section beginning with the first reporting period
13 after the technology is installed and operational.

14 (4) For the purposes of this section and section 4 of this act,
15 "pressurized steam pulp washing technology" means equipment that
16 utilizes a pressure vessel that discharges steam to wash unbleached
17 pulp for paper product-making purposes and that is designed to reduce
18 water consumption in pulp washing processes relative to conventional
19 pulp washing processes that use drum washers, rewashers, and deckers.

20 **Sec. 3.** RCW 82.04.440 and 2004 c 174 s 5 and 2004 c 24 s 7 are
21 each reenacted and amended to read as follows:

22 (1) Every person engaged in activities which are within the purview
23 of the provisions of two or more of sections RCW 82.04.230 to
24 82.04.298, inclusive, shall be taxable under each paragraph applicable
25 to the activities engaged in.

26 (2) Persons taxable under RCW 82.04.2909(2), 82.04.250, 82.04.270,
27 section 2(2) of this act, or 82.04.260 (4) or (13) with respect to
28 selling products in this state shall be allowed a credit against those
29 taxes for any (a) manufacturing taxes paid with respect to the
30 manufacturing of products so sold in this state, and/or (b) extracting
31 taxes paid with respect to the extracting of products so sold in this
32 state or ingredients of products so sold in this state. Extracting
33 taxes taken as credit under subsection (3) of this section may also be
34 taken under this subsection, if otherwise allowable under this
35 subsection. The amount of the credit shall not exceed the tax
36 liability arising under this chapter with respect to the sale of those
37 products.

1 (3) Persons taxable under RCW 82.04.240 or 82.04.260(1)(b) shall be
2 allowed a credit against those taxes for any extracting taxes paid with
3 respect to extracting the ingredients of the products so manufactured
4 in this state. The amount of the credit shall not exceed the tax
5 liability arising under this chapter with respect to the manufacturing
6 of those products.

7 (4) Persons taxable under RCW 82.04.230, 82.04.240, 82.04.2909(1),
8 (~~(or)~~) 82.04.260 (1), (2), (4), (6), or (13), or section 2(1) of this
9 act with respect to extracting or manufacturing products in this state
10 shall be allowed a credit against those taxes for any (i) gross
11 receipts taxes paid to another state with respect to the sales of the
12 products so extracted or manufactured in this state, (ii) manufacturing
13 taxes paid with respect to the manufacturing of products using
14 ingredients so extracted in this state, or (iii) manufacturing taxes
15 paid with respect to manufacturing activities completed in another
16 state for products so manufactured in this state. The amount of the
17 credit shall not exceed the tax liability arising under this chapter
18 with respect to the extraction or manufacturing of those products.

19 (5) For the purpose of this section:

20 (a) "Gross receipts tax" means a tax:

21 (i) Which is imposed on or measured by the gross volume of
22 business, in terms of gross receipts or in other terms, and in the
23 determination of which the deductions allowed would not constitute the
24 tax an income tax or value added tax; and

25 (ii) Which is also not, pursuant to law or custom, separately
26 stated from the sales price.

27 (b) "State" means (i) the state of Washington, (ii) a state of the
28 United States other than Washington, or any political subdivision of
29 such other state, (iii) the District of Columbia, and (iv) any foreign
30 country or political subdivision thereof.

31 (c) "Manufacturing tax" means a gross receipts tax imposed on the
32 act or privilege of engaging in business as a manufacturer, and
33 includes (i) the taxes imposed in RCW 82.04.240, 82.04.2909(1), (~~and~~)
34 82.04.260 (1), (2), (4), and (13), and section 2(1) of this act, and
35 (ii) similar gross receipts taxes paid to other states.

36 (d) "Extracting tax" means a gross receipts tax imposed on the act
37 or privilege of engaging in business as an extractor, and includes the

1 tax imposed in RCW 82.04.230 and similar gross receipts taxes paid to
2 other states.

3 (e) "Business", "manufacturer", "extractor", and other terms used
4 in this section have the meanings given in RCW 82.04.020 through
5 82.04.212, notwithstanding the use of those terms in the context of
6 describing taxes imposed by other states.

7 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.04 RCW
8 to read as follows:

9 (1) In computing the tax imposed under this chapter, a credit is
10 allowed for all property taxes paid during the calendar year by a paper
11 manufacturer for pressurized steam pulp washing technology acquired
12 after the effective date of this section.

13 (2) A person taking the credit under this section is subject to all
14 the requirements of chapter 82.32 RCW. A credit earned during one
15 calendar year may be carried over to be credited against taxes incurred
16 in the subsequent calendar year, but may not be carried over a second
17 year. Credits carried over must be applied to tax liability before new
18 credits. No refunds may be granted for credits under this section.

19 (3) For the purposes of this section, "pressurized steam pulp
20 washing technology" means the same as provided in section 2 of this
21 act.

22 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.04 RCW
23 to read as follows:

24 (1) A person who is subject to tax under this chapter on gross
25 income from sales of electricity, natural gas, or manufactured gas made
26 to a paper manufacturer is eligible for an exemption from the tax in
27 the form of a credit, if the contract for sale of electricity or gas to
28 the manufacturing facility specifies that the price charged for the
29 electricity or gas will be reduced by an amount equal to the credit.

30 (2) The credit is equal to the gross income from the sale of the
31 electricity or gas to a manufacturing facility multiplied by the
32 corresponding rate in effect at the time of the sale under this
33 chapter.

34 (3) The exemption provided for in this section does not apply to
35 amounts received from the remarketing or resale of electricity
36 originally obtained by contract for the manufacturing process.

1 **Sec. 6.** RCW 82.12.022 and 2004 c 24 s 12 are each amended to read
2 as follows:

3 (1) There is hereby levied and there shall be collected from every
4 person in this state a use tax for the privilege of using natural gas
5 or manufactured gas within this state as a consumer.

6 (2) The tax shall be levied and collected in an amount equal to the
7 value of the article used by the taxpayer multiplied by the rate in
8 effect for the public utility tax on gas distribution businesses under
9 RCW 82.16.020. The "value of the article used" does not include any
10 amounts that are paid for the hire or use of a gas distribution
11 business as defined in RCW 82.16.010(7) in transporting the gas subject
12 to tax under this subsection if those amounts are subject to tax under
13 that chapter.

14 (3) The tax levied in this section shall not apply to the use of
15 natural or manufactured gas delivered to the consumer by other means
16 than through a pipeline.

17 (4) The tax levied in this section shall not apply to the use of
18 natural or manufactured gas if the person who sold the gas to the
19 consumer has paid a tax under RCW 82.16.020 with respect to the gas for
20 which exemption is sought under this subsection.

21 (5) The tax levied in this section shall not apply to the use of
22 natural or manufactured gas by an aluminum smelter as that term is
23 defined in RCW 82.04.217 before January 1, 2007.

24 (6) The tax levied in this section does not apply to the use of
25 natural or manufactured gas by a paper manufacturing facility. For the
26 purposes of this section, "paper manufacturing facility" means the
27 facility used by a paper manufacturer, as defined in section 1 of this
28 act, for the manufacture of paper.

29 (7) There shall be a credit against the tax levied under this
30 section in an amount equal to any tax paid by:

31 (a) The person who sold the gas to the consumer when that tax is a
32 gross receipts tax similar to that imposed pursuant to RCW 82.16.020 by
33 another state with respect to the gas for which a credit is sought
34 under this subsection; or

35 (b) The person consuming the gas upon which a use tax similar to
36 the tax imposed by this section was paid to another state with respect
37 to the gas for which a credit is sought under this subsection.

1 (~~(7)~~) (8) The use tax hereby imposed shall be paid by the
2 consumer to the department.

3 (~~(8)~~) (9) There is imposed a reporting requirement on the person
4 who delivered the gas to the consumer to make a quarterly report to the
5 department. Such report shall contain the volume of gas delivered,
6 name of the consumer to whom delivered, and such other information as
7 the department shall require by rule.

8 (~~(9)~~) (10) The department may adopt rules under chapter 34.05 RCW
9 for the administration and enforcement of sections 1 through 6, chapter
10 384, Laws of 1989.

11 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.16 RCW
12 to read as follows:

13 (1) A person who is subject to tax under this chapter on gross
14 income from sales of electricity, natural gas, or manufactured gas made
15 to a paper manufacturing facility is eligible for an exemption from the
16 tax in the form of a credit, if the contract for sale of electricity or
17 gas to the paper manufacturing facility specifies that the price
18 charged for the electricity or gas will be reduced by an amount equal
19 to the credit.

20 (2) The credit is equal to the gross income from the sale of the
21 electricity or gas to a paper manufacturing facility multiplied by the
22 corresponding rate in effect at the time of the sale for the public
23 utility tax under RCW 82.16.020.

24 (3) The exemption provided for in this section does not apply to
25 amounts received from the remarketing or resale of electricity
26 originally obtained by contract for the manufacturing process.

27 (4) For the purposes of this section, "paper manufacturing
28 facility" has the same meaning as provided in RCW 82.12.022.

29 NEW SECTION. **Sec. 8.** This act is necessary for the immediate
30 preservation of the public peace, health, or safety, or support of the
31 state government and its existing public institutions, and takes effect
32 July 1, 2005.

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