
SUBSTITUTE HOUSE BILL 1523

State of Washington 59th Legislature 2006 Regular Session

By House Committee on Finance (originally sponsored by Representatives Quall, Morris, Pettigrew, Kilmer, Talcott, Pearson, Linville and Kristiansen)

READ FIRST TIME 02/09/06.

1 AN ACT Relating to extending a sales and use tax exemption to the
2 construction of facilities to be used for the conditioning of vegetable
3 seeds; amending RCW 82.60.020; and providing an effective date.

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

5 **Sec. 1.** RCW 82.60.020 and 2004 c 25 s 3 are each amended to read
6 as follows:

7 Unless the context clearly requires otherwise, the definitions in
8 this section apply throughout this chapter.

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

11 (2) "Department" means the department of revenue.

12 (3) "Eligible area" means a rural county as defined in RCW
13 82.14.370.

14 (4)(a) "Eligible investment project" means an investment project in
15 an eligible area as defined in subsection (3) of this section.

16 (b) The lessor or owner of a qualified building is not eligible for
17 a deferral unless:

18 (i) The underlying ownership of the buildings, machinery, and
19 equipment vests exclusively in the same person; or

1 (ii)(A) The lessor by written contract agrees to pass the economic
2 benefit of the deferral to the lessee;

3 (B) The lessee that receives the economic benefit of the deferral
4 agrees in writing with the department to complete the annual survey
5 required under RCW 82.60.070; and

6 (C) The economic benefit of the deferral passed to the lessee is no
7 less than the amount of tax deferred by the lessor and is evidenced by
8 written documentation of any type of payment, credit, or other
9 financial arrangement between the lessor or owner of the qualified
10 building and the lessee.

11 (c) "Eligible investment project" does not include any portion of
12 an investment project undertaken by a light and power business as
13 defined in RCW 82.16.010(5), other than that portion of a cogeneration
14 project that is used to generate power for consumption within the
15 manufacturing site of which the cogeneration project is an integral
16 part, or investment projects which have already received deferrals
17 under this chapter.

18 (5) "Investment project" means an investment in qualified buildings
19 or qualified machinery and equipment, including labor and services
20 rendered in the planning, installation, and construction of the
21 project.

22 (6) "Manufacturing" means the same as defined in RCW 82.04.120.
23 "Manufacturing" also includes computer programming, the production of
24 computer software, and other computer-related services, (~~and~~) the
25 activities performed by research and development laboratories and
26 commercial testing laboratories, and the conditioning of vegetable seed
27 that is not genetically modified seed. "Genetically modified seed"
28 means seed whose genetic structure has been altered at the molecular
29 level by means that are not possible under natural conditions or
30 processes, including recombinant DNA and RNA techniques, cell fusion,
31 gene deletion or doubling, introduction of exogenous genetic material,
32 alteration of the position of a gene, or similar procedures.

33 (7) "Person" has the meaning given in RCW 82.04.030.

34 (8) "Qualified buildings" means construction of new structures, and
35 expansion or renovation of existing structures for the purpose of
36 increasing floor space or production capacity used for manufacturing
37 and research and development activities, including plant offices and
38 warehouses or other facilities for the storage of raw material or

1 finished goods if such facilities are an essential or an integral part
2 of a factory, mill, plant, or laboratory used for manufacturing or
3 research and development. If a building is used partly for
4 manufacturing or research and development and partly for other
5 purposes, the applicable tax deferral shall be determined by
6 apportionment of the costs of construction under rules adopted by the
7 department.

8 (9) "Qualified employment position" means a permanent full-time
9 employee employed in the eligible investment project during the entire
10 tax year. The term "entire tax year" means a full-time position that
11 is filled for a period of twelve consecutive months. The term "full-
12 time" means at least thirty-five hours a week, four hundred fifty-five
13 hours a quarter, or one thousand eight hundred twenty hours a year.

14 (10) "Qualified machinery and equipment" means all new industrial
15 and research fixtures, equipment, and support facilities that are an
16 integral and necessary part of a manufacturing or research and
17 development operation. "Qualified machinery and equipment" includes:
18 Computers; software; data processing equipment; laboratory equipment;
19 manufacturing components such as belts, pulleys, shafts, and moving
20 parts; molds, tools, and dies; operating structures; and all equipment
21 used to control or operate the machinery.

22 (11) "Recipient" means a person receiving a tax deferral under this
23 chapter.

24 (12) "Research and development" means the development, refinement,
25 testing, marketing, and commercialization of a product, service, or
26 process before commercial sales have begun. As used in this
27 subsection, "commercial sales" excludes sales of prototypes or sales
28 for market testing if the total gross receipts from such sales of the
29 product, service, or process do not exceed one million dollars.

30 NEW SECTION. **Sec. 2.** This act takes effect July 1, 2006.

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