
HOUSE BILL 2665

State of Washington

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By Representatives Holmquist, Wallace, Morris, Dunshee, Crouse, B. Sullivan, McDonald, Hunt, Skinner, Morrell, McCune, Green, Ericks, Woods, Cox, Dunn, Sump, Appleton, O'Brien, Serben, Rodne, P. Sullivan, Simpson, Sells, Linville, Moeller, Ormsby, Kretz, Kilmer and Haler

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1 AN ACT Relating to improving the state of the state by ensuring
2 biofuel market access through the adoption of a statewide renewable
3 fuel standard; amending RCW 19.112.010, 82.12.955, 82.08.955, and
4 84.36.635; reenacting and amending RCW 82.29A.135 and 82.04.260; adding
5 a new section to chapter 19.112 RCW; and creating a new section.

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

7 NEW SECTION. **Sec. 1.** The legislature finds that every gallon of
8 renewable fuel produced and consumed in Washington state represents one
9 less gallon of refined petroleum product from foreign or domestic
10 sources. Every gallon of renewable fuel produced and consumed in
11 Washington realizes a significant reduction in the amount of harmful
12 vehicle emissions. The legislature further finds a renewable fuel
13 standard is beneficial for the environment in all areas of the state,
14 for agriculture and Washington's farm families, for commerce, for a
15 general increase in our state's level of employment, and for
16 functioning as a bridge that spans the gulf between the mainstream
17 ideological differences of eastern and western Washington.

1 NEW SECTION. **Sec. 2.** A new section is added to chapter 19.112 RCW
2 to read as follows:

3 (1) Unless otherwise provided under subsection (2) of this section,
4 when there is sufficient verifiable quantities of competitively priced
5 Washington-produced ethanol available to meet ten percent of Washington
6 state's aggregate nondiesel motor fuel demand, as determined by the
7 director, all nondiesel motor fuels offered at retail sale in
8 Washington must contain at least ten percent ethanol by volume. When
9 calculating whether there is sufficient verifiable quantities of
10 competitively priced Washington-produced ethanol available to meet ten
11 percent of Washington state's aggregate nondiesel motor fuel demand,
12 the director shall not include a producer's gallons of ethanol unless
13 it can be verified that a predominant portion of the feedstock used to
14 produce the ethanol was grown in Washington state.

15 (2) The director may authorize on a temporary basis the sale of
16 motor fuels that do not meet the requirements of this section if the
17 director determines:

18 (a) That sufficient verifiable quantities of competitively priced
19 Washington-produced ethanol are not available to meet the minimum
20 requirements of this section; or

21 (b) Any other circumstances occur that would make compliance with
22 this section an undue hardship for the motor fuel manufacturer,
23 distributor, retailer, or consumer.

24 **Sec. 3.** RCW 19.112.010 and 1991 c 145 s 1 are each amended to read
25 as follows:

26 As used in this chapter:

27 (1) "Motor fuel" means any liquid product used for the generation
28 of power in an internal combustion engine used for the propulsion of a
29 motor vehicle upon the highways of this state. Motor fuels containing
30 ethanol may be marketed if either (a) the base motor fuel meets the
31 applicable standards before the addition of the ethanol or (b) the
32 resultant blend meets the applicable standards after the addition of
33 the ethanol.

34 (2) "Director" means the director of agriculture.

35 (3) "Biodiesel fuel" has the meaning provided in RCW 82.29A.135.

1 **Sec. 4.** RCW 82.12.955 and 2003 c 63 s 3 are each amended to read
2 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 biodiesel or alcohol fuel blend, or the
9 manufacture of ethanol.

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

16 (3) For the purposes of this section, the definitions in RCW
17 82.04.4334 and 82.08.955 apply.

18 (4) This section expires July 1, 2009.

19 **Sec. 5.** RCW 82.29A.135 and 2003 c 339 s 10 and 2003 c 261 s 10 are
20 each reenacted and amended to read as follows:

21 (1) For the purposes of this section:

22 (a) "Alcohol fuel" means any alcohol made from a product other than
23 petroleum or natural gas, which is used alone or in combination with
24 gasoline or other petroleum products for use as a fuel for motor
25 vehicles, farm implements, and machines or implements of husbandry.

26 (b) "Biodiesel feedstock" means oil that is produced from an
27 agricultural crop for the sole purpose of ultimately producing
28 biodiesel fuel.

29 (c) "Biodiesel fuel" means a mono alkyl ester of long chain fatty
30 acids derived from vegetable oils or animal fats for use in
31 compression-ignition engines and that meets the requirements of the
32 American society of testing and materials specification D 6751 in
33 effect as of January 1, 2003.

34 (d) "Wood biomass fuel" means a pyrolytic liquid fuel or synthesis
35 gas-derived liquid fuel, used in internal combustion engines, and
36 produced from wood, forest, or field residue, or dedicated energy crops

1 that do not include wood pieces that have been treated with chemical
2 preservatives such as creosote, pentachlorophenol, or copper-chroma-
3 arsenic.

4 (2)(a) All leasehold interests in buildings, machinery, equipment,
5 and other personal property which is used primarily for the
6 manufacturing of alcohol fuel, wood biomass fuel, ethanol, biodiesel
7 fuel, or biodiesel feedstock, the land upon which this property is
8 located, and land that is reasonably necessary in the manufacturing of
9 alcohol fuel, wood biomass fuel, ethanol, biodiesel fuel, or biodiesel
10 feedstock, but not land necessary for growing of crops, which together
11 comprise a new manufacturing facility or an addition to an existing
12 manufacturing facility, are exempt from leasehold taxes for a period of
13 six years from the date on which the facility or the addition to the
14 existing facility becomes operational.

15 (b) For manufacturing facilities which produce products in addition
16 to alcohol fuel, wood biomass fuel, ethanol, biodiesel fuel, or
17 biodiesel feedstock, the amount of the leasehold tax exemption shall be
18 based upon the annual percentage of the total value of all products
19 manufactured that is the value of the alcohol fuel, wood biomass fuel,
20 ethanol, biodiesel fuel, and biodiesel feedstock manufactured.

21 (3) Claims for exemptions authorized by this section shall be filed
22 with the department of revenue on forms prescribed by the department of
23 revenue and furnished by the department of revenue. Once filed, the
24 exemption is valid for six years and shall not be renewed. The
25 department of revenue shall verify and approve claims as the department
26 of revenue determines to be justified and in accordance with this
27 section. No claims may be filed after December 31, 2009.

28 The department of revenue may promulgate such rules, pursuant to
29 chapter 34.05 RCW, as are necessary to properly administer this
30 section.

31 **Sec. 6.** RCW 82.08.955 and 2003 c 63 s 2 are each amended to read
32 as follows:

33 (1) The tax levied by RCW 82.08.020 does not apply to sales of
34 machinery and equipment, or to services rendered in respect to
35 constructing structures, installing, constructing, repairing, cleaning,
36 decorating, altering, or improving of structures or machinery and
37 equipment, or to sales of tangible personal property that becomes an

1 ingredient or component of structures or machinery and equipment, if
2 the machinery, equipment, or structure is used directly for the retail
3 sale of a biodiesel or alcohol fuel blend, or for the manufacture of
4 ethanol. Structures and machinery and equipment that are used for the
5 retail sale of a biodiesel or alcohol fuel blend, or for the
6 manufacture of ethanol, and for other purposes are exempt only on the
7 portion used directly for the retail sale of a biodiesel or alcohol
8 fuel blend.

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

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

21 (4) For the purposes of this section, the definitions in RCW
22 82.04.4334 and this subsection apply.

23 (a) "Alcohol fuel blend" means fuel that contains at least eighty-
24 five percent alcohol fuel by volume.

25 (b) "Biodiesel blend" means fuel that contains at least twenty
26 percent biodiesel fuel by volume.

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

32 (5) This section expires July 1, 2009.

33 **Sec. 7.** RCW 84.36.635 and 2003 c 261 s 9 are each amended to read
34 as follows:

35 (1) For the purposes of this section:

36 (a) "Alcohol fuel" means any alcohol made from a product other than

1 petroleum or natural gas, which is used alone or in combination with
2 gasoline or other petroleum products for use as a fuel for motor
3 vehicles, farm implements, and machines or implements of husbandry.

4 (b) "Biodiesel feedstock" means oil that is produced from an
5 agricultural crop for the sole purpose of ultimately producing
6 biodiesel fuel.

7 (c) "Biodiesel fuel" means a mono alkyl ester of long chain fatty
8 acids derived from vegetable oils or animal fats for use in
9 compression-ignition engines and that meets the requirements of the
10 American society of testing and materials specification D 6751 in
11 effect as of January 1, 2003.

12 (2)(a) All buildings, machinery, equipment, and other personal
13 property which is used primarily for the manufacturing of alcohol fuel,
14 ethanol, biodiesel fuel, or biodiesel feedstock, the land upon which
15 this property is located, and land that is reasonably necessary in the
16 manufacturing of alcohol fuel, ethanol, biodiesel fuel, or biodiesel
17 feedstock, but not land necessary for growing of crops, which together
18 comprise a new manufacturing facility or an addition to an existing
19 manufacturing facility, are exempt from property taxation for the six
20 assessment years following the date on which the facility or the
21 addition to the existing facility becomes operational.

22 (b) For manufacturing facilities which produce products in addition
23 to alcohol fuel, ethanol, biodiesel fuel, or biodiesel feedstock, the
24 amount of the property tax exemption shall be based upon the annual
25 percentage of the total value of all products manufactured that is the
26 value of the alcohol fuel, ethanol, biodiesel fuel, and biodiesel
27 feedstock manufactured.

28 (3) Claims for exemptions authorized by this section shall be filed
29 with the county assessor on forms prescribed by the department of
30 revenue and furnished by the assessor. Once filed, the exemption is
31 valid for six years and shall not be renewed. The assessor shall
32 verify and approve claims as the assessor determines to be justified
33 and in accordance with this section. No claims may be filed after
34 December 31, 2009.

35 The department of revenue may (~~promulgate such~~) adopt rules,
36 pursuant to chapter 34.05 RCW, as necessary to properly administer this
37 section.

1 **Sec. 8.** RCW 82.04.260 and 2005 c 513 s 2 and 2005 c 443 s 4 are
2 each reenacted and amended to read as follows:

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

5 (a) Wheat into flour, barley into pearl barley, soybeans into
6 soybean oil, canola into canola oil, canola meal, or canola byproducts,
7 or sunflower seeds into sunflower oil; as to such persons the amount of
8 tax with respect to such business shall be equal to the value of the
9 flour, pearl barley, oil, canola meal, or canola byproduct
10 manufactured, multiplied by the rate of 0.138 percent;

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

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

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

32 (e) Alcohol fuel or wood biomass fuel, as those terms are defined
33 in RCW 82.29A.135; as to such persons the amount of tax with respect to
34 the business shall be equal to the value of alcohol fuel or wood
35 biomass fuel manufactured, multiplied by the rate of 0.138 percent.

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 acting as a travel agent or tour operator; as to such persons the
15 amount of the tax with respect to such activities shall be equal to the
16 gross income derived from such activities multiplied by the rate of
17 0.275 percent.

18 (6) Upon every person engaging within this state in business as an
19 international steamship agent, international customs house broker,
20 international freight forwarder, vessel and/or cargo charter broker in
21 foreign commerce, and/or international air cargo agent; as to such
22 persons the amount of the tax with respect to only international
23 activities shall be equal to the gross income derived from such
24 activities multiplied by the rate of 0.275 percent.

25 (7) Upon every person engaging within this state in the business of
26 stevedoring and associated activities pertinent to the movement of
27 goods and commodities in waterborne interstate or foreign commerce; as
28 to such persons the amount of tax with respect to such business shall
29 be equal to the gross proceeds derived from such activities multiplied
30 by the rate of 0.275 percent. Persons subject to taxation under this
31 subsection shall be exempt from payment of taxes imposed by chapter
32 82.16 RCW for that portion of their business subject to taxation under
33 this subsection. Stevedoring and associated activities pertinent to
34 the conduct of goods and commodities in waterborne interstate or
35 foreign commerce are defined as all activities of a labor, service or
36 transportation nature whereby cargo may be loaded or unloaded to or
37 from vessels or barges, passing over, onto or under a wharf, pier, or
38 similar structure; cargo may be moved to a warehouse or similar holding

1 or storage yard or area to await further movement in import or export
2 or may move to a consolidation freight station and be stuffed,
3 unstuffed, containerized, separated or otherwise segregated or
4 aggregated for delivery or loaded on any mode of transportation for
5 delivery to its consignee. Specific activities included in this
6 definition are: Wharfage, handling, loading, unloading, moving of
7 cargo to a convenient place of delivery to the consignee or a
8 convenient place for further movement to export mode; documentation
9 services in connection with the receipt, delivery, checking, care,
10 custody and control of cargo required in the transfer of cargo;
11 imported automobile handling prior to delivery to consignee; terminal
12 stevedoring and incidental vessel services, including but not limited
13 to plugging and unplugging refrigerator service to containers,
14 trailers, and other refrigerated cargo receptacles, and securing ship
15 hatch covers.

16 (8) Upon every person engaging within this state in the business of
17 disposing of low-level waste, as defined in RCW 43.145.010; as to such
18 persons the amount of the tax with respect to such business shall be
19 equal to the gross income of the business, excluding any fees imposed
20 under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

21 If the gross income of the taxpayer is attributable to activities
22 both within and without this state, the gross income attributable to
23 this state shall be determined in accordance with the methods of
24 apportionment required under RCW 82.04.460.

25 (9) Upon every person engaging within this state as an insurance
26 agent, insurance broker, or insurance solicitor licensed under chapter
27 48.17 RCW; as to such persons, the amount of the tax with respect to
28 such licensed activities shall be equal to the gross income of such
29 business multiplied by the rate of 0.484 percent.

30 (10) Upon every person engaging within this state in business as a
31 hospital, as defined in chapter 70.41 RCW, that is operated as a
32 nonprofit corporation or by the state or any of its political
33 subdivisions, as to such persons, the amount of tax with respect to
34 such activities shall be equal to the gross income of the business
35 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
36 percent thereafter. The moneys collected under this subsection shall
37 be deposited in the health services account created under RCW
38 43.72.900.

1 (11)(a) Beginning October 1, 2005, upon every person engaging
2 within this state in the business of manufacturing commercial
3 airplanes, or components of such airplanes, as to such persons the
4 amount of tax with respect to such business shall, in the case of
5 manufacturers, be equal to the value of the product manufactured, or in
6 the case of processors for hire, be equal to the gross income of the
7 business, multiplied by the rate of:

8 (i) 0.4235 percent from October 1, 2005, through the later of June
9 30, 2007, or the day preceding the date final assembly of a
10 superefficient airplane begins in Washington state, as determined under
11 RCW 82.32.550; and

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

15 (b) Beginning October 1, 2005, upon every person engaging within
16 this state in the business of making sales, at retail or wholesale, of
17 commercial airplanes, or components of such airplanes, manufactured by
18 that person, as to such persons the amount of tax with respect to such
19 business shall be equal to the gross proceeds of sales of the airplanes
20 or components multiplied by the rate of:

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

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

28 (c) For the purposes of this subsection (11), "commercial
29 airplane," "component," and "final assembly of a superefficient
30 airplane" have the meanings given in RCW 82.32.550.

31 (d) In addition to all other requirements under this title, a
32 person eligible for the tax rate under this subsection (11) must report
33 as required under RCW 82.32.545.

34 (e) This subsection (11) does not apply after the earlier of: July
35 1, 2024; or December 31, 2007, if assembly of a superefficient airplane
36 does not begin by December 31, 2007, as determined under RCW 82.32.550.

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