
HOUSE BILL 2666

State of Washington

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By Representatives Holmquist, Wallace, Sump, Morris, Dunshee, Crouse, B. Sullivan, McDonald, Hunt, Morrell, McCune, Green, Ericks, Skinner, Lantz, Woods, Cox, Dunn, Appleton, O'Brien, Serben, Rodne, P. Sullivan, Simpson, Sells, Linville, Moeller, Ormsby, Strow, Kretz, Kilmer, Jarrett 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 statewide renewable fuel
3 standards; 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 (3) of this section,
4 when there is sufficient verifiable quantities of competitively priced
5 Washington-produced biodiesel fuel available to meet two percent of
6 Washington state's aggregate diesel motor fuel demand, as determined by
7 the director, all diesel motor fuels offered at retail sale in
8 Washington must contain at least two percent biodiesel fuel by volume.
9 When calculating whether there is sufficient verifiable quantities of
10 competitively priced Washington-produced biodiesel fuel available to
11 meet two percent of Washington state's aggregate diesel motor fuel
12 demand, the director shall not include a producer's gallons of
13 biodiesel unless it can be verified that a predominant portion of the
14 feedstock used to produce the biodiesel was grown in Washington state.

15 (2) Unless otherwise provided under subsection (3) of this section,
16 when there is sufficient verifiable quantities of competitively priced
17 Washington-produced ethanol available to meet ten percent of Washington
18 state's aggregate nondiesel motor fuel demand, as determined by the
19 director, all nondiesel motor fuels offered at retail sale in
20 Washington must contain at least ten percent ethanol by volume. When
21 calculating whether there is sufficient verifiable quantities of
22 competitively priced Washington-produced ethanol available to meet ten
23 percent of Washington state's aggregate nondiesel motor fuel demand,
24 the director shall not include a producer's gallons of ethanol unless
25 it can be verified that a predominant portion of the feedstock used to
26 produce the ethanol was grown in Washington state.

27 (3) The director may authorize on a temporary basis the sale of
28 motor fuels that do not meet the requirements of this section if the
29 director determines:

30 (a) That sufficient verifiable quantities of either competitively
31 priced Washington-produced biodiesel fuel or Washington-produced
32 ethanol, or both are not available to meet the minimum requirements of
33 this section; or

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

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

3 As used in this chapter:

4 (1) "Motor fuel" means any liquid product used for the generation
5 of power in an internal combustion engine used for the propulsion of a
6 motor vehicle upon the highways of this state. Motor fuels containing
7 ethanol may be marketed if either (a) the base motor fuel meets the
8 applicable standards before the addition of the ethanol or (b) the
9 resultant blend meets the applicable standards after the addition of
10 the ethanol.

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

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

13 **Sec. 4.** RCW 82.12.955 and 2003 c 63 s 3 are each amended to read
14 as follows:

15 (1) The provisions of this chapter do not apply in respect to the
16 use of machinery and equipment, or to services rendered in respect to
17 installing, repairing, cleaning, altering, or improving of eligible
18 machinery and equipment, or tangible personal property that becomes an
19 ingredient or component of machinery and equipment used directly for
20 the retail sale of a biodiesel or alcohol fuel blend, or the
21 manufacture of ethanol.

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

28 (3) For the purposes of this section, the definitions in RCW
29 82.04.4334 and 82.08.955 apply.

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

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

33 (1) For the purposes of this section:

34 (a) "Alcohol fuel" means any alcohol made from a product other than
35 petroleum or natural gas, which is used alone or in combination with

1 gasoline or other petroleum products for use as a fuel for motor
2 vehicles, farm implements, and machines or implements of husbandry.

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

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

11 (d) "Wood biomass fuel" means a pyrolytic liquid fuel or synthesis
12 gas-derived liquid fuel, used in internal combustion engines, and
13 produced from wood, forest, or field residue, or dedicated energy crops
14 that do not include wood pieces that have been treated with chemical
15 preservatives such as creosote, pentachlorophenol, or copper-chroma-
16 arsenic.

17 (2)(a) All leasehold interests in buildings, machinery, equipment,
18 and other personal property which is used primarily for the
19 manufacturing of alcohol fuel, wood biomass fuel, ethanol, biodiesel
20 fuel, or biodiesel feedstock, the land upon which this property is
21 located, and land that is reasonably necessary in the manufacturing of
22 alcohol fuel, wood biomass fuel, ethanol, biodiesel fuel, or biodiesel
23 feedstock, but not land necessary for growing of crops, which together
24 comprise a new manufacturing facility or an addition to an existing
25 manufacturing facility, are exempt from leasehold taxes for a period of
26 six years from the date on which the facility or the addition to the
27 existing facility becomes operational.

28 (b) For manufacturing facilities which produce products in addition
29 to alcohol fuel, wood biomass fuel, ethanol, biodiesel fuel, or
30 biodiesel feedstock, the amount of the leasehold tax exemption shall be
31 based upon the annual percentage of the total value of all products
32 manufactured that is the value of the alcohol fuel, wood biomass fuel,
33 ethanol, biodiesel fuel, and biodiesel feedstock manufactured.

34 (3) Claims for exemptions authorized by this section shall be filed
35 with the department of revenue on forms prescribed by the department of
36 revenue and furnished by the department of revenue. Once filed, the
37 exemption is valid for six years and shall not be renewed. The

1 department of revenue shall verify and approve claims as the department
2 of revenue determines to be justified and in accordance with this
3 section. No claims may be filed after December 31, 2009.

4 The department of revenue may promulgate such rules, pursuant to
5 chapter 34.05 RCW, as are necessary to properly administer this
6 section.

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

9 (1) The tax levied by RCW 82.08.020 does not apply to sales of
10 machinery and equipment, or to services rendered in respect to
11 constructing structures, installing, constructing, repairing, cleaning,
12 decorating, altering, or improving of structures or machinery and
13 equipment, or to sales of tangible personal property that becomes an
14 ingredient or component of structures or machinery and equipment, if
15 the machinery, equipment, or structure is used directly for the retail
16 sale of a biodiesel or alcohol fuel blend, or for the manufacture of
17 ethanol. Structures and machinery and equipment that are used for the
18 retail sale of a biodiesel or alcohol fuel blend, or for the
19 manufacture of ethanol, and for other purposes are exempt only on the
20 portion used directly for the retail sale of a biodiesel or alcohol
21 fuel blend.

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

28 (3) A person taking the exemption under this section must keep
29 records necessary for the department to verify eligibility under this
30 section. The exemption is available only when the buyer provides the
31 seller with an exemption certificate in a form and manner prescribed by
32 the department. The seller shall retain a copy of the certificate for
33 the seller's files.

34 (4) For the purposes of this section, the definitions in RCW
35 82.04.4334 and this subsection apply.

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

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

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

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

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

11 (1) For the purposes of this section:

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

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

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

24 (2)(a) All buildings, machinery, equipment, and other personal
25 property which is used primarily for the manufacturing of alcohol fuel,
26 ethanol, biodiesel fuel, or biodiesel feedstock, the land upon which
27 this property is located, and land that is reasonably necessary in the
28 manufacturing of alcohol fuel, ethanol, biodiesel fuel, or biodiesel
29 feedstock, but not land necessary for growing of crops, which together
30 comprise a new manufacturing facility or an addition to an existing
31 manufacturing facility, are exempt from property taxation for the six
32 assessment years following the date on which the facility or the
33 addition to the existing facility becomes operational.

34 (b) For manufacturing facilities which produce products in addition
35 to alcohol fuel, ethanol, biodiesel fuel, or biodiesel feedstock, the
36 amount of the property tax exemption shall be based upon the annual

1 percentage of the total value of all products manufactured that is the
2 value of the alcohol fuel, ethanol, biodiesel fuel, and biodiesel
3 feedstock manufactured.

4 (3) Claims for exemptions authorized by this section shall be filed
5 with the county assessor on forms prescribed by the department of
6 revenue and furnished by the assessor. Once filed, the exemption is
7 valid for six years and shall not be renewed. The assessor shall
8 verify and approve claims as the assessor determines to be justified
9 and in accordance with this section. No claims may be filed after
10 December 31, 2009.

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

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

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

18 (a) Wheat into flour, barley into pearl barley, soybeans into
19 soybean oil, canola into canola oil, canola meal, or canola byproducts,
20 or sunflower seeds into sunflower oil; as to such persons the amount of
21 tax with respect to such business shall be equal to the value of the
22 flour, pearl barley, oil, canola meal, or canola byproduct
23 manufactured, multiplied by the rate of 0.138 percent;

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

29 (c) Dairy products that as of September 20, 2001, are identified in
30 21 C.F.R., chapter 1, parts 131, 133, and 135, including byproducts
31 from the manufacturing of the dairy products such as whey and casein;
32 or selling the same to purchasers who transport in the ordinary course
33 of business the goods out of state; as to such persons the tax imposed
34 shall be equal to the value of the products manufactured multiplied by
35 the rate of 0.138 percent. As proof of sale to a person who transports
36 in the ordinary course of business goods out of this state, the seller

1 shall annually provide a statement in a form prescribed by the
2 department and retain the statement as a business record;

3 (d) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
4 feedstock, as those terms are defined in RCW 82.29A.135 or ethanol; as
5 to such persons the amount of tax with respect to the business shall be
6 equal to the value of alcohol fuel, ethanol, biodiesel fuel, or
7 biodiesel feedstock manufactured, multiplied by the rate of 0.138
8 percent; and

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

13 (2) Upon every person engaging within this state in the business of
14 splitting or processing dried peas; as to such persons the amount of
15 tax with respect to such business shall be equal to the value of the
16 peas split or processed, multiplied by the rate of 0.138 percent.

17 (3) Upon every nonprofit corporation and nonprofit association
18 engaging within this state in research and development, as to such
19 corporations and associations, the amount of tax with respect to such
20 activities shall be equal to the gross income derived from such
21 activities multiplied by the rate of 0.484 percent.

22 (4) Upon every person engaging within this state in the business of
23 slaughtering, breaking and/or processing perishable meat products
24 and/or selling the same at wholesale only and not at retail; as to such
25 persons the tax imposed shall be equal to the gross proceeds derived
26 from such sales multiplied by the rate of 0.138 percent.

27 (5) Upon every person engaging within this state in the business of
28 acting as a travel agent or tour operator; as to such persons the
29 amount of the tax with respect to such activities shall be equal to the
30 gross income derived from such activities multiplied by the rate of
31 0.275 percent.

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

1 (7) Upon every person engaging within this state in the business of
2 stevedoring and associated activities pertinent to the movement of
3 goods and commodities in waterborne interstate or foreign commerce; as
4 to such persons the amount of tax with respect to such business shall
5 be equal to the gross proceeds derived from such activities multiplied
6 by the rate of 0.275 percent. Persons subject to taxation under this
7 subsection shall be exempt from payment of taxes imposed by chapter
8 82.16 RCW for that portion of their business subject to taxation under
9 this subsection. Stevedoring and associated activities pertinent to
10 the conduct of goods and commodities in waterborne interstate or
11 foreign commerce are defined as all activities of a labor, service or
12 transportation nature whereby cargo may be loaded or unloaded to or
13 from vessels or barges, passing over, onto or under a wharf, pier, or
14 similar structure; cargo may be moved to a warehouse or similar holding
15 or storage yard or area to await further movement in import or export
16 or may move to a consolidation freight station and be stuffed,
17 unstuffed, containerized, separated or otherwise segregated or
18 aggregated for delivery or loaded on any mode of transportation for
19 delivery to its consignee. Specific activities included in this
20 definition are: Wharfage, handling, loading, unloading, moving of
21 cargo to a convenient place of delivery to the consignee or a
22 convenient place for further movement to export mode; documentation
23 services in connection with the receipt, delivery, checking, care,
24 custody and control of cargo required in the transfer of cargo;
25 imported automobile handling prior to delivery to consignee; terminal
26 stevedoring and incidental vessel services, including but not limited
27 to plugging and unplugging refrigerator service to containers,
28 trailers, and other refrigerated cargo receptacles, and securing ship
29 hatch covers.

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

35 If the gross income of the taxpayer is attributable to activities
36 both within and without this state, the gross income attributable to
37 this state shall be determined in accordance with the methods of
38 apportionment required under RCW 82.04.460.

1 (9) Upon every person engaging within this state as an insurance
2 agent, insurance broker, or insurance solicitor licensed under chapter
3 48.17 RCW; as to such persons, the amount of the tax with respect to
4 such licensed activities shall be equal to the gross income of such
5 business multiplied by the rate of 0.484 percent.

6 (10) Upon every person engaging within this state in business as a
7 hospital, as defined in chapter 70.41 RCW, that is operated as a
8 nonprofit corporation or by the state or any of its political
9 subdivisions, as to such persons, the amount of tax with respect to
10 such activities shall be equal to the gross income of the business
11 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
12 percent thereafter. The moneys collected under this subsection shall
13 be deposited in the health services account created under RCW
14 43.72.900.

15 (11)(a) Beginning October 1, 2005, upon every person engaging
16 within this state in the business of manufacturing commercial
17 airplanes, or components of such airplanes, as to such persons the
18 amount of tax with respect to such business shall, in the case of
19 manufacturers, be equal to the value of the product manufactured, or in
20 the case of processors for hire, be equal to the gross income of the
21 business, multiplied by the rate of:

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

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

29 (b) Beginning October 1, 2005, upon every person engaging within
30 this state in the business of making sales, at retail or wholesale, of
31 commercial airplanes, or components of such airplanes, manufactured by
32 that person, as to such persons the amount of tax with respect to such
33 business shall be equal to the gross proceeds of sales of the airplanes
34 or components multiplied by the rate of:

35 (i) 0.4235 percent from October 1, 2005, through the later of June
36 30, 2007, or the day preceding the date final assembly of a
37 superefficient airplane begins in Washington state, as determined under
38 RCW 82.32.550; and

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

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

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

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

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