
SENATE BILL 6112

State of Washington 60th Legislature 2007 Regular Session

By Senators Pflug, Oemig, Rockefeller, Poulsen and Tom

Read first time 02/22/2007. Referred to Committee on Water, Energy & Telecommunications.

1 AN ACT Relating to smart grid energy technology; amending RCW
2 82.63.010; adding a new section to chapter 43.21F RCW; adding a new
3 section to chapter 82.08 RCW; adding a new section to chapter 82.12
4 RCW; providing an effective date; and providing expiration dates.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.21F RCW
7 to read as follows:

8 (1) The state energy office within the department of community,
9 trade, and economic development shall develop a strategic plan for
10 public and private collaboration to promote more efficient use of
11 current electrical transmission and distribution systems. The plan
12 shall include recommendations for appropriate legislative and
13 administrative policy changes, tax credits, and legislative
14 appropriations. The plan shall also recommend proposals for creating
15 and strengthening public and private partnerships to promote smart grid
16 energy improvements, proposals for federal financial assistance,
17 expenditures for research and development programs, and enhancement of
18 smart grid business development in Washington state. The finalized

1 strategic plan shall be provided to the governor and to the appropriate
2 committees of the senate and house of representatives by January 1,
3 2008.

4 (2) No later than December 1, 2008, the department shall adopt
5 rules creating a tax credit certification process for smart grid energy
6 technologies that promise to significantly improve the reliability,
7 efficiency, and environmental integrity of electrical transmission and
8 distribution systems. The rules may not take effect until after the
9 end of the next regular legislative session. "Smart grid energy
10 technology" has the same meaning as provided in RCW 82.63.010.

11 **Sec. 2.** RCW 82.63.010 and 2004 c 2 s 3 are each amended to read as
12 follows:

13 Unless the context clearly requires otherwise, the definitions in
14 this section apply throughout this chapter.

15 (1) "Advanced computing" means technologies used in the designing
16 and developing of computing hardware and software, including
17 innovations in designing the full spectrum of hardware from hand-held
18 calculators to super computers, and peripheral equipment.

19 (2) "Advanced materials" means materials with engineered properties
20 created through the development of specialized processing and synthesis
21 technology, including ceramics, high value-added metals, electronic
22 materials, composites, polymers, and biomaterials.

23 (3) "Applicant" means a person applying for a tax deferral under
24 this chapter.

25 (4) "Biotechnology" means the application of technologies, such as
26 recombinant DNA techniques, biochemistry, molecular and cellular
27 biology, genetics and genetic engineering, cell fusion techniques, and
28 new bioprocesses, using living organisms, or parts of organisms, to
29 produce or modify products, to improve plants or animals, to develop
30 microorganisms for specific uses, to identify targets for small
31 molecule pharmaceutical development, or to transform biological systems
32 into useful processes and products or to develop microorganisms for
33 specific uses.

34 (5) "Department" means the department of revenue.

35 (6) "Electronic device technology" means technologies involving
36 microelectronics; semiconductors; electronic equipment and

1 instrumentation; radio frequency, microwave, and millimeter
2 electronics; optical and optic-electrical devices; and data and digital
3 communications and imaging devices.

4 (7) "Eligible investment project" means an investment project which
5 either initiates a new operation, or expands or diversifies a current
6 operation by expanding, renovating, or equipping an existing facility.
7 The lessor or owner of the qualified building is not eligible for a
8 deferral unless:

9 (a) The underlying ownership of the buildings, machinery, and
10 equipment vests exclusively in the same person; or

11 (b)(i) The lessor by written contract agrees to pass the economic
12 benefit of the deferral to the lessee;

13 (ii) The lessee that receives the economic benefit of the deferral
14 agrees in writing with the department to complete the annual survey
15 required under RCW 82.63.020(2); and

16 (iii) The economic benefit of the deferral passed to the lessee is
17 no less than the amount of tax deferred by the lessor and is evidenced
18 by written documentation of any type of payment, credit, or other
19 financial arrangement between the lessor or owner of the qualified
20 building and the lessee.

21 (8) "Environmental technology" means assessment and prevention of
22 threats or damage to human health or the environment, environmental
23 cleanup, smart grid energy technology development, and the development
24 of alternative energy sources.

25 (9) "Investment project" means an investment in qualified buildings
26 or qualified machinery and equipment, including labor and services
27 rendered in the planning, installation, and construction or improvement
28 of the project.

29 (10) "Person" has the meaning given in RCW 82.04.030 and includes
30 state universities as defined in RCW 28B.10.016.

31 (11) "Pilot scale manufacturing" means design, construction, and
32 testing of preproduction prototypes and models in the fields of
33 biotechnology, advanced computing, electronic device technology,
34 advanced materials, and environmental technology other than for
35 commercial sale. As used in this subsection, "commercial sale"
36 excludes sales of prototypes or sales for market testing if the total
37 gross receipts from such sales of the product, service, or process do
38 not exceed one million dollars.

1 (12) "Qualified buildings" means construction of new structures,
2 and expansion or renovation of existing structures for the purpose of
3 increasing floor space or production capacity used for pilot scale
4 manufacturing or qualified research and development, including plant
5 offices and other facilities that are an essential or an integral part
6 of a structure used for pilot scale manufacturing or qualified research
7 and development. If a building is used partly for pilot scale
8 manufacturing or qualified research and development, and partly for
9 other purposes, the applicable tax deferral shall be determined by
10 apportionment of the costs of construction under rules adopted by the
11 department.

12 (13) "Qualified machinery and equipment" means fixtures, equipment,
13 and support facilities that are an integral and necessary part of a
14 pilot scale manufacturing or qualified research and development
15 operation. "Qualified machinery and equipment" includes: Computers;
16 software; data processing equipment; laboratory equipment,
17 instrumentation, and other devices used in a process of experimentation
18 to develop a new or improved pilot model, plant process, product,
19 formula, invention, or similar property; manufacturing components such
20 as belts, pulleys, shafts, and moving parts; molds, tools, and dies;
21 vats, tanks, and fermenters; operating structures; and all other
22 equipment used to control, monitor, or operate the machinery. For
23 purposes of this chapter, qualified machinery and equipment must be
24 either new to the taxing jurisdiction of the state or new to the
25 certificate holder, except that used machinery and equipment may be
26 treated as qualified machinery and equipment if the certificate holder
27 either brings the machinery and equipment into Washington or makes a
28 retail purchase of the machinery and equipment in Washington or
29 elsewhere.

30 (14) "Qualified research and development" means research and
31 development performed within this state in the fields of advanced
32 computing, advanced materials, biotechnology, electronic device
33 technology, and environmental technology.

34 (15) "Recipient" means a person receiving a tax deferral under this
35 chapter.

36 (16) "Research and development" means activities performed to
37 discover technological information, and technical and nonroutine
38 activities concerned with translating technological information into

1 new or improved products, processes, techniques, formulas, inventions,
2 or software. The term includes exploration of a new use for an
3 existing drug, device, or biological product if the new use requires
4 separate licensing by the federal food and drug administration under
5 chapter 21, C.F.R., as amended. The term does not include adaptation
6 or duplication of existing products where the products are not
7 substantially improved by application of the technology, nor does the
8 term include surveys and studies, social science and humanities
9 research, market research or testing, quality control, sale promotion
10 and service, computer software developed for internal use, and research
11 in areas such as improved style, taste, and seasonal design.

12 (17) "Smart grid energy technology" means a technology certified
13 under the provisions of section 1(2) of this act and developed with the
14 intent to significantly improve the reliability, efficiency, and
15 environmental integrity of electrical transmission and distribution
16 systems, and may include advanced metering, load management, and
17 control technologies, high-temperature superconductor technologies, the
18 development and use of advanced grid design, operation, and planning
19 tools, and advanced energy delivery, storage and transmission
20 technologies, materials, and systems that contribute to significant
21 load reductions or enhancements in reliability, operational
22 flexibility, or power-carrying capability within electric transmission
23 or distribution systems.

24 (18) "Smart grid energy technology product development" means
25 research, design, and engineering activities performed in relation to
26 the development of smart grid energy technology.

27 (19)(a) "Initiation of construction" means the date that a building
28 permit is issued under the building code adopted under RCW 19.27.031
29 for:

30 (i) Construction of the qualified building, if the underlying
31 ownership of the building vests exclusively with the person receiving
32 the economic benefit of the deferral;

33 (ii) Construction of the qualified building, if the economic
34 benefits of the deferral are passed to a lessee as provided in
35 subsection (7) of this section; or

36 (iii) Tenant improvements for a qualified building, if the economic
37 benefits of the deferral are passed to a lessee as provided in
38 subsection (7) of this section.

1 (b) "Initiation of construction" does not include soil testing,
2 site clearing and grading, site preparation, or any other related
3 activities that are initiated before the issuance of a building permit
4 for the construction of the foundation of the building.

5 (c) If the investment project is a phased project, "initiation of
6 construction" shall apply separately to each phase.

7 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.08 RCW
8 to read as follows:

9 (1) The tax levied by RCW 82.08.020 does not apply to sales of
10 tangible personal property used primarily in smart grid energy
11 technology product development, to sales of smart grid energy
12 technology products certified by the state energy office, or to charges
13 made for labor and services rendered in respect to installing such
14 tangible personal property. The exemption is available only when the
15 buyer provides the seller with an exemption certificate in a form and
16 manner prescribed by the department. The seller shall retain a copy of
17 the certificate for the seller's files.

18 (2) The following definitions apply to this section:

19 (a) "Smart grid energy technology" has the meaning provided in RCW
20 82.63.010; and

21 (b) "Smart grid energy technology product development" has the
22 meaning provided in RCW 82.63.010.

23 (3) This section expires July 1, 2015.

24 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.12 RCW
25 to read as follows:

26 (1) The provisions of this chapter do not apply in respect to the
27 use of tangible personal property used primarily in smart grid energy
28 technology product development, to the use of smart grid energy
29 technology products certified by the state energy office, or to the use
30 of labor and services rendered in respect to installing such tangible
31 personal property.

32 (2) The definitions in section 3 of this act apply to this section.

33 (3) This section expires July 1, 2015.

1 NEW SECTION. **Sec. 5.** Sections 2 through 4 of this act take effect
2 July 1, 2010.

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