
SUBSTITUTE HOUSE BILL 2857

State of Washington

64th Legislature

2016 Regular Session

By House Agriculture & Natural Resources (originally sponsored by Representatives Blake, Harris, Rossetti, Walsh, Wilcox, Fey, and Kilduff)

READ FIRST TIME 02/04/16.

1 AN ACT Relating to tax incentives that will promote the
2 manufacturing and use of sustainable wood materials; adding a new
3 section to chapter 82.04 RCW; adding a new section to chapter 82.08
4 RCW; adding a new section to chapter 82.12 RCW; creating new
5 sections; and providing an expiration date.

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

7 NEW SECTION. **Sec. 1.** (1) The legislature finds that cross-
8 laminated timber is a sustainable alternative to traditional building
9 materials. The legislature further finds that construction using
10 cross-laminated timber is currently cost-prohibitive due to a lack of
11 supply of this material, despite the vast natural resources available
12 in Washington to create this material and the strength of
13 Washington's wood manufacturing and timber industries. It is the
14 legislature's specific public policy objective to promote the
15 manufacturing of sustainable materials for use in construction. The
16 legislature intends to provide a business and occupation tax
17 deduction for the manufacturing and sale of cross-laminated timber
18 and a sales tax exemption for construction projects that use this
19 material, thereby promoting the manufacture of sustainably harvested
20 timber products, thereby stimulating economic growth and job creation

1 in Washington's rural communities, and thereby encouraging the use of
2 sustainable materials in construction projects.

3 (2)(a) This section is the tax preference performance statement
4 for the tax preferences contained in this act. This performance
5 statement is only intended to be used for subsequent evaluation of
6 the tax preferences. It is not intended to create a private right of
7 action by any party or be used to determine eligibility for
8 preferential tax treatment.

9 (b) The legislature categorizes the tax preference in section 2
10 of this act as one intended to create jobs, as indicated in RCW
11 82.32.808(2)(c), and the tax preference in section 3 of this act as
12 one intended to induce certain designated behavior by taxpayers, as
13 indicated in RCW 82.32.808(2)(a).

14 (c) To measure the effectiveness of this act in achieving the
15 specific public policy objective described in (b) of this subsection,
16 the joint legislative audit and review committee must, at minimum,
17 evaluate the following:

18 (i) The number of businesses who are claiming the business and
19 occupation tax deduction in section 2 of this act, and the total
20 relief provided to them, as reported to the department of revenue on
21 an annual basis;

22 (ii) The number of taxpayers who benefit from the exemptions in
23 sections 3 and 4 of this act, and the total relief provided to them,
24 as reported to the department of revenue on an annual basis; and

25 (iii) The number of construction projects, the charges for which
26 qualify for the exemptions in sections 3 and 4 of this act, as
27 verified by local government building departments and reported to the
28 department of revenue.

29 (d) In order to obtain the necessary data to perform a review of
30 the tax preference in section 2 of this act, persons using this
31 preference must file an annual application with the department of
32 revenue to be eligible to claim the preference.

33 (e) In addition to the data sources described under this section,
34 the joint legislative audit and review committee may use any other
35 data it deems necessary in performing the evaluation under (c) of
36 this subsection.

37 (f) The joint legislative audit and review committee must review
38 the tax preferences provided in this act as part of its normal review
39 process of tax preferences. The committee must specifically assess
40 the number of employment positions for taxpayers claiming the

1 preference in section 2 of this act, using data provided by the
2 department of revenue, and estimate the cost per job based on the
3 amount of credit taken by eligible persons.

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

6 (1) In computing the tax there may be deducted from the measure
7 of tax imposed under RCW 82.04.250, 82.04.260, and 82.04.270 for
8 amounts derived from the sale of cross-laminated timber, but only
9 when the cross-laminated timber is manufactured by the seller.

10 (2) The deduction in subsection (1) of this section also applies
11 with respect to the tax imposed under RCW 82.04.260 and 82.04.261 for
12 amounts derived from the manufacture of cross-laminated timber.

13 (3) For the purposes of this section, "cross-laminated timber"
14 means a prefabricated engineered wood product consisting of not less
15 than three layers of solid-sawn lumber or structural composite lumber
16 where the adjacent layers are cross oriented and bonded with
17 structural adhesive to form a solid wood element.

18 (4) A person claiming the deduction provided in this section must
19 file a complete annual survey with the department under RCW
20 82.32.585.

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

23 (1) A person who has paid the tax levied by RCW 82.08.020 and any
24 local tax levied under chapter 82.14 RCW for the charges made for
25 construction of a new building that meets the conditions in
26 subsection (2) of this section is eligible for an exemption in the
27 form of a remittance. The amount of remittance is computed under
28 subsection (3) of this section and is based on both the state and the
29 local shares of sales tax.

30 (2) The exemptions provided in this section and in section 4 of
31 this act are only available to charges related to the construction of
32 a building that meets the following conditions:

33 (a) For buildings that exceed three stories:

34 (i) At least seventy-five percent of the design lateral story
35 force in any direction on all floors above the second floor of the
36 structure is resisted by cross-laminated timber horizontal
37 diaphragms, as verified by the city or county authority having
38 jurisdiction at permitting; or

1 (ii) At least seventy-five percent of the design lateral story
2 force in any direction on all floors above the second floor of the
3 structure is resisted by cross-laminated timber vertical shear walls,
4 as verified by the city or county authority having jurisdiction at
5 permitting.

6 (b) For buildings that are three stories or less:

7 (i) At least seventy-five percent of the design lateral story
8 force in any direction on all floors above the first floor of the
9 structure is resisted by cross-laminated timber horizontal
10 diaphragms, as verified by the city or county authority having
11 jurisdiction at permitting; or

12 (ii) At least seventy-five percent of the design lateral story
13 force in any direction on all floors above the first floor of the
14 structure is resisted by cross-laminated timber vertical shear walls,
15 as verified by the city or county authority having jurisdiction at
16 permitting.

17 (3) A person claiming an exemption in the form of a remittance
18 under this section must pay the tax imposed by RCW 82.08.020 and any
19 local tax imposed under chapter 82.14 RCW. The buyer may then apply
20 to the department for remittance of all or part of the tax paid under
21 RCW 82.08.020 and chapter 82.14 RCW. The remittance is equal to one
22 hundred percent of the amount of tax paid for qualifying
23 construction.

24 (4) The definitions in this subsection apply throughout this
25 section unless the context clearly requires otherwise.

26 (a) "Building" means any structure or facility.

27 (b) "Construction" means the labor and services rendered by any
28 person with respect to the constructing of a new building or other
29 new structure and the tangible personal property that becomes an
30 ingredient or component of a new building or other structure during
31 the course of constructing the building or other structure.

32 (c) "Cross-laminated timber" means a prefabricated engineered
33 wood product consisting of not less than three layers of solid-sawn
34 lumber or structural composite lumber where the adjacent layers are
35 cross oriented and bonded with structural adhesive to form a solid
36 wood element.

37 (d) "Design lateral story force" has the same meaning as provided
38 in the international building code.

39 (e) "Horizontal diaphragm" means structural roof and floor
40 components designed to transfer lateral forces in the plane of the

1 component to the vertical shear walls of the lateral force-resisting
2 system.

3 (f) "Person" has the same meaning as provided in RCW 82.04.030.

4 (g) "Vertical shear wall" means structural wall components that
5 have a slope of sixty degrees or greater with the horizontal plane
6 designed to resist lateral forces acting in the plane of the
7 component.

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

10 (1) A person who has paid the tax levied by RCW 82.12.020 or any
11 local tax levied according to chapter 82.14 RCW upon labor and
12 services rendered with respect to the constructing of a new building
13 that meets the conditions in section 3(2) of this act, or on tangible
14 personal property that becomes an ingredient or component of a
15 building during the course of the constructing of a new building that
16 meets the conditions in section 3(2) of this act, is eligible for an
17 exemption in the form of a remittance. The amount of remittance is
18 computed under subsection (2) of this section and is based on both
19 the state and the local shares of sales tax.

20 (2) A person claiming an exemption in the form of a remittance
21 under this section must pay the tax imposed by RCW 82.12.020 and any
22 local tax imposed under chapter 82.14 RCW. The person may then apply
23 to the department for remittance of all or part of the tax paid under
24 RCW 82.12.020 and chapter 82.14 RCW. The remittance is equal to one
25 hundred percent of the amount of tax paid for qualifying
26 construction.

27 (3) The definitions in section 3 apply to this section.

28 NEW SECTION. **Sec. 5.** Section 2 of this act applies to any
29 amounts derived on or after July 1, 2016.

30 NEW SECTION. **Sec. 6.** Sections 3 and 4 of this act apply to
31 charges on or after July 1, 2016.

32 NEW SECTION. **Sec. 7.** Sections 2, 3, and 4 of this act expire
33 July 1, 2023.

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