
SENATE BILL 6449

State of Washington

65th Legislature

2018 Regular Session

By Senator Warnick; by request of Department of Commerce

1 AN ACT Relating to promoting renewable natural gas; amending RCW
2 82.04.260, 82.08.900, 82.08.962, 82.12.900, 82.12.962, 84.36.635, and
3 82.29A.135; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** RENEWABLE NATURAL GAS QUALITY STANDARD AND
6 REPORT TO THE LEGISLATURE. (1) By September 1, 2018, and in
7 compliance with RCW 43.01.036, the Washington State University
8 extension energy program and the department of commerce must submit
9 recommendations to the governor's office and the energy committees of
10 the legislature on how to promote the sustainable development of
11 renewable natural gas in the state, including specific opportunities
12 for state agencies and public facilities to take advantage of
13 renewable natural gas potential, recommendations for limiting the
14 life-cycle carbon intensity of the renewable natural gas to the
15 extent feasible, and whether to adopt a procurement standard for
16 renewable natural gas.

17 (2) The department of commerce, in consultation with the
18 department of ecology and the department of health, must develop
19 voluntary gas quality standards for renewable natural gas. The
20 purpose of such standards should be to identify acceptable levels of
21 constituents of concern for health, safety, and environmental

1 purposes, including ensuring pipeline integrity, while providing
2 reasonable and predictable access to pipeline transmission and
3 distribution facilities. The department of commerce should consult
4 industry groups and identify industry best practices.

5 (3) For the purposes of this section, "renewable natural gas"
6 means a methane-rich gas derived from organic feedstocks that has
7 been conditioned to meet standards for natural gas derived from
8 fossil fuel sources.

9 **Sec. 2.** RCW 82.04.260 and 2017 c 135 s 11 are each amended to
10 read as follows:

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

13 (a) Wheat into flour, barley into pearl barley, soybeans into
14 soybean oil, canola into canola oil, canola meal, or canola by-
15 products, or sunflower seeds into sunflower oil; as to such persons
16 the amount of tax with respect to such business is equal to the value
17 of the flour, pearl barley, oil, canola meal, or canola by-product
18 manufactured, multiplied by the rate of 0.138 percent;

19 (b) Beginning July 1, 2025, seafood products that remain in a
20 raw, raw frozen, or raw salted state at the completion of the
21 manufacturing by that person; or selling manufactured seafood
22 products that remain in a raw, raw frozen, or raw salted state at the
23 completion of the manufacturing, to purchasers who transport in the
24 ordinary course of business the goods out of this state; as to such
25 persons the amount of tax with respect to such business is equal to
26 the value of the products manufactured or the gross proceeds derived
27 from such sales, multiplied by the rate of 0.138 percent. Sellers
28 must keep and preserve records for the period required by RCW
29 82.32.070 establishing that the goods were transported by the
30 purchaser in the ordinary course of business out of this state;

31 (c)(i) Except as provided otherwise in (c)(iii) of this
32 subsection, from July 1, 2025, until January 1, 2036, dairy products;
33 or selling dairy products that the person has manufactured to
34 purchasers who either transport in the ordinary course of business
35 the goods out of state or purchasers who use such dairy products as
36 an ingredient or component in the manufacturing of a dairy product;
37 as to such persons the tax imposed is equal to the value of the
38 products manufactured or the gross proceeds derived from such sales
39 multiplied by the rate of 0.138 percent. Sellers must keep and

1 preserve records for the period required by RCW 82.32.070
2 establishing that the goods were transported by the purchaser in the
3 ordinary course of business out of this state or sold to a
4 manufacturer for use as an ingredient or component in the
5 manufacturing of a dairy product.

6 (ii) For the purposes of this subsection (1)(c), "dairy products"
7 means:

8 (A) Products, not including any marijuana-infused product, that
9 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,
10 parts 131, 133, and 135, including by-products from the manufacturing
11 of the dairy products, such as whey and casein; and

12 (B) Products comprised of not less than seventy percent dairy
13 products that qualify under (c)(ii)(A) of this subsection, measured
14 by weight or volume.

15 (iii) The preferential tax rate provided to taxpayers under this
16 subsection (1)(c) does not apply to sales of dairy products on or
17 after July 1, 2023, where a dairy product is used by the purchaser as
18 an ingredient or component in the manufacturing in Washington of a
19 dairy product;

20 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,
21 preserving, freezing, processing, or dehydrating fresh fruits or
22 vegetables, or selling at wholesale fruits or vegetables manufactured
23 by the seller by canning, preserving, freezing, processing, or
24 dehydrating fresh fruits or vegetables and sold to purchasers who
25 transport in the ordinary course of business the goods out of this
26 state; as to such persons the amount of tax with respect to such
27 business is equal to the value of the products manufactured or the
28 gross proceeds derived from such sales multiplied by the rate of
29 0.138 percent. Sellers must keep and preserve records for the period
30 required by RCW 82.32.070 establishing that the goods were
31 transported by the purchaser in the ordinary course of business out
32 of this state.

33 (ii) For purposes of this subsection (1)(d), "fruits" and
34 "vegetables" do not include marijuana, useable marijuana, or
35 marijuana-infused products; and

36 ~~(e) ((Until July 1, 2009, alcohol fuel, biodiesel fuel, or
37 biodiesel feedstock, as those terms are defined in RCW 82.29A.135; as
38 to such persons the amount of tax with respect to the business is
39 equal to the value of alcohol fuel, biodiesel fuel, or biodiesel
40 feedstock manufactured, multiplied by the rate of 0.138 percent; and~~

1 ~~(f))~~ Wood biomass fuel (~~as defined in RCW 82.29A.135~~); as to
2 such persons the amount of tax with respect to the business is equal
3 to the value of wood biomass fuel manufactured, multiplied by the
4 rate of 0.138 percent. For the purposes of this section, "wood
5 biomass fuel" means a fuel used in internal combustion engines that
6 is produced from lignocellulosic feedstocks, including wood, field
7 residue, and dedicated energy crops, and that does not include wood
8 treated with chemical preservations such as creosote,
9 pentachlorophenol, or copper-chrome-arsenic.

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

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

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

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

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

36 (7) Upon every person engaging within this state in the business
37 of stevedoring and associated activities pertinent to the movement of
38 goods and commodities in waterborne interstate or foreign commerce;
39 as to such persons the amount of tax with respect to such business is
40 equal to the gross proceeds derived from such activities multiplied

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

25 (8)(a) Upon every person engaging within this state in the
26 business of disposing of low-level waste, as defined in RCW
27 43.145.010; as to such persons the amount of the tax with respect to
28 such business is equal to the gross income of the business, excluding
29 any fees imposed under chapter 43.200 RCW, multiplied by the rate of
30 3.3 percent.

31 (b) If the gross income of the taxpayer is attributable to
32 activities both within and without this state, the gross income
33 attributable to this state must be determined in accordance with the
34 methods of apportionment required under RCW 82.04.460.

35 (9) Upon every person engaging within this state as an insurance
36 producer or title insurance agent licensed under chapter 48.17 RCW or
37 a surplus line broker licensed under chapter 48.15 RCW; as to such
38 persons, the amount of the tax with respect to such licensed
39 activities is equal to the gross income of such business multiplied
40 by the rate of 0.484 percent.

1 (10) Upon every person engaging within this state in business as
2 a hospital, as defined in chapter 70.41 RCW, that is operated as a
3 nonprofit corporation or by the state or any of its political
4 subdivisions, as to such persons, the amount of tax with respect to
5 such activities is equal to the gross income of the business
6 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
7 percent thereafter.

8 (11)(a) Beginning October 1, 2005, upon every person engaging
9 within this state in the business of manufacturing commercial
10 airplanes, or components of such airplanes, or making sales, at
11 retail or wholesale, of commercial airplanes or components of such
12 airplanes, manufactured by the seller, as to such persons the amount
13 of tax with respect to such business is, in the case of
14 manufacturers, equal to the value of the product manufactured and the
15 gross proceeds of sales of the product manufactured, or in the case
16 of processors for hire, equal to the gross income of the business,
17 multiplied by the rate of:

18 (i) 0.4235 percent from October 1, 2005, through June 30, 2007;
19 and

20 (ii) 0.2904 percent beginning July 1, 2007.

21 (b) Beginning July 1, 2008, upon every person who is not eligible
22 to report under the provisions of (a) of this subsection (11) and is
23 engaging within this state in the business of manufacturing tooling
24 specifically designed for use in manufacturing commercial airplanes
25 or components of such airplanes, or making sales, at retail or
26 wholesale, of such tooling manufactured by the seller, as to such
27 persons the amount of tax with respect to such business is, in the
28 case of manufacturers, equal to the value of the product manufactured
29 and the gross proceeds of sales of the product manufactured, or in
30 the case of processors for hire, be equal to the gross income of the
31 business, multiplied by the rate of 0.2904 percent.

32 (c) For the purposes of this subsection (11), "commercial
33 airplane" and "component" have the same meanings as provided in RCW
34 82.32.550.

35 (d) In addition to all other requirements under this title, a
36 person reporting under the tax rate provided in this subsection (11)
37 must file a complete annual tax performance report with the
38 department under RCW 82.32.534.

39 (e)(i) Except as provided in (e)(ii) of this subsection (11),
40 this subsection (11) does not apply on and after July 1, 2040.

1 (ii) With respect to the manufacturing of commercial airplanes or
2 making sales, at retail or wholesale, of commercial airplanes, this
3 subsection (11) does not apply on and after July 1st of the year in
4 which the department makes a determination that any final assembly or
5 wing assembly of any version or variant of a commercial airplane that
6 is the basis of a siting of a significant commercial airplane
7 manufacturing program in the state under RCW 82.32.850 has been sited
8 outside the state of Washington. This subsection (11)(e)(ii) only
9 applies to the manufacturing or sale of commercial airplanes that are
10 the basis of a siting of a significant commercial airplane
11 manufacturing program in the state under RCW 82.32.850.

12 (12)(a) Until July 1, 2024, upon every person engaging within
13 this state in the business of extracting timber or extracting for
14 hire timber; as to such persons the amount of tax with respect to the
15 business is, in the case of extractors, equal to the value of
16 products, including by-products, extracted, or in the case of
17 extractors for hire, equal to the gross income of the business,
18 multiplied by the rate of 0.4235 percent from July 1, 2006, through
19 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
20 2024.

21 (b) Until July 1, 2024, upon every person engaging within this
22 state in the business of manufacturing or processing for hire: (i)
23 Timber into timber products or wood products; or (ii) timber products
24 into other timber products or wood products; as to such persons the
25 amount of the tax with respect to the business is, in the case of
26 manufacturers, equal to the value of products, including by-products,
27 manufactured, or in the case of processors for hire, equal to the
28 gross income of the business, multiplied by the rate of 0.4235
29 percent from July 1, 2006, through June 30, 2007, and 0.2904 percent
30 from July 1, 2007, through June 30, 2024.

31 (c) Until July 1, 2024, upon every person engaging within this
32 state in the business of selling at wholesale: (i) Timber extracted
33 by that person; (ii) timber products manufactured by that person from
34 timber or other timber products; or (iii) wood products manufactured
35 by that person from timber or timber products; as to such persons the
36 amount of the tax with respect to the business is equal to the gross
37 proceeds of sales of the timber, timber products, or wood products
38 multiplied by the rate of 0.4235 percent from July 1, 2006, through
39 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
40 2024.

1 (d) Until July 1, 2024, upon every person engaging within this
2 state in the business of selling standing timber; as to such persons
3 the amount of the tax with respect to the business is equal to the
4 gross income of the business multiplied by the rate of 0.2904
5 percent. For purposes of this subsection (12)(d), "selling standing
6 timber" means the sale of timber apart from the land, where the buyer
7 is required to sever the timber within thirty months from the date of
8 the original contract, regardless of the method of payment for the
9 timber and whether title to the timber transfers before, upon, or
10 after severance.

11 (e) For purposes of this subsection, the following definitions
12 apply:

13 (i) "Biocomposite surface products" means surface material
14 products containing, by weight or volume, more than fifty percent
15 recycled paper and that also use nonpetroleum-based phenolic resin as
16 a bonding agent.

17 (ii) "Paper and paper products" means products made of interwoven
18 cellulosic fibers held together largely by hydrogen bonding. "Paper
19 and paper products" includes newsprint; office, printing, fine, and
20 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
21 kraft bag, construction, and other kraft industrial papers;
22 paperboard, liquid packaging containers, containerboard, corrugated,
23 and solid-fiber containers including linerboard and corrugated
24 medium; and related types of cellulosic products containing
25 primarily, by weight or volume, cellulosic materials. "Paper and
26 paper products" does not include books, newspapers, magazines,
27 periodicals, and other printed publications, advertising materials,
28 calendars, and similar types of printed materials.

29 (iii) "Recycled paper" means paper and paper products having
30 fifty percent or more of their fiber content that comes from
31 postconsumer waste. For purposes of this subsection (12)(e)(iii),
32 "postconsumer waste" means a finished material that would normally be
33 disposed of as solid waste, having completed its life cycle as a
34 consumer item.

35 (iv) "Timber" means forest trees, standing or down, on privately
36 or publicly owned land. "Timber" does not include Christmas trees
37 that are cultivated by agricultural methods or short-rotation
38 hardwoods as defined in RCW 84.33.035.

39 (v) "Timber products" means:

1 (A) Logs, wood chips, sawdust, wood waste, and similar products
2 obtained wholly from the processing of timber, short-rotation
3 hardwoods as defined in RCW 84.33.035, or both;

4 (B) Pulp, including market pulp and pulp derived from recovered
5 paper or paper products; and

6 (C) Recycled paper, but only when used in the manufacture of
7 biocomposite surface products.

8 (vi) "Wood products" means paper and paper products; dimensional
9 lumber; engineered wood products such as particleboard, oriented
10 strand board, medium density fiberboard, and plywood; wood doors;
11 wood windows; and biocomposite surface products.

12 (f) Except for small harvesters as defined in RCW 84.33.035, a
13 person reporting under the tax rate provided in this subsection (12)
14 must file a complete annual tax performance report with the
15 department under RCW 82.32.534.

16 (13) Upon every person engaging within this state in inspecting,
17 testing, labeling, and storing canned salmon owned by another person,
18 as to such persons, the amount of tax with respect to such activities
19 is equal to the gross income derived from such activities multiplied
20 by the rate of 0.484 percent.

21 (14)(a) Upon every person engaging within this state in the
22 business of printing a newspaper, publishing a newspaper, or both,
23 the amount of tax on such business is equal to the gross income of
24 the business multiplied by the rate of 0.35 percent until July 1,
25 2024, and 0.484 percent thereafter.

26 (b) A person reporting under the tax rate provided in this
27 subsection (14) must file a complete annual tax performance report
28 with the department under RCW 82.32.534.

29 **Sec. 3.** RCW 82.08.900 and 2015 c 86 s 202 are each amended to
30 read as follows:

31 (1) The tax levied by RCW 82.08.020 does not apply to sales to an
32 eligible person:

33 (a) In respect to equipment necessary to process biogas from a
34 landfill into marketable coproducts, including but not limited to
35 biogas conditioning and electrical generation equipment, or to
36 services rendered in respect to installing, constructing, repairing,
37 cleaning, altering, or improving equipment necessary to process
38 biogas from a landfill into marketable coproducts; and

1 **(b)** Establishing or operating an anaerobic digester or to
2 services rendered in respect to installing, constructing, repairing,
3 cleaning, altering, or improving an anaerobic digester, or to sales
4 of tangible personal property that becomes an ingredient or component
5 of the anaerobic digester. (~~The anaerobic digester must be used~~
6 ~~primarily to treat livestock manure.~~)

7 (2) A person claiming an exemption under this section must keep
8 records necessary for the department to verify eligibility under this
9 section. Sellers may make tax exempt sales under this section only if
10 the buyer provides the seller with an exemption certificate in a form
11 and manner prescribed by the department. The seller must retain a
12 copy of the certificate for the seller's files.

13 (3) The definitions in this subsection apply to this section and
14 RCW 82.12.900 unless the context clearly requires otherwise:

15 (a) "Anaerobic digester" means a facility that processes (~~manure~~
16 ~~from livestock into biogas and dried manure~~) organic material into
17 biogas and digestate using microorganisms in a decomposition process
18 within a closed, oxygen-free container as well as the equipment
19 necessary to process biogas or digestate into marketable coproducts,
20 including but not limited to biogas conditioning, nutrient recovery,
21 and electrical generation equipment.

22 (b) "Eligible person" means any person establishing or operating
23 an anaerobic digester (~~to treat primarily livestock manure~~) or
24 landfill.

25 (~~(c) "Primarily" means more than fifty percent measured by~~
26 ~~volume or weight.~~)

27 **Sec. 4.** RCW 82.08.962 and 2017 3rd sp.s. c 36 s 14 are each
28 amended to read as follows:

29 (1)(a) Except as provided in RCW 82.08.963, purchasers who have
30 paid the tax imposed by RCW 82.08.020 on machinery and equipment used
31 directly in generating electricity using fuel cells, wind, sun,
32 biomass energy, tidal or wave energy, geothermal resources,
33 (~~anaerobic digestion,~~) or technology that converts otherwise lost
34 energy from exhaust, (~~or landfill gas~~) as the principal source of
35 power, or to sales of or charges made for labor and services rendered
36 in respect to installing such machinery and equipment, are eligible
37 for an exemption as provided in this section, but only if the
38 purchaser develops with such machinery, equipment, and labor a

1 facility capable of generating not less than one thousand watts of
2 electricity.

3 ~~(b) ((Beginning on July 1, 2009, through June 30, 2011, the tax
4 levied by RCW 82.08.020 does not apply to the sale of machinery and
5 equipment described in (a) of this subsection that are used directly
6 in generating electricity or to sales of or charges made for labor
7 and services rendered in respect to installing such machinery and
8 equipment.~~

9 ~~(e))~~ Beginning on July 1, 2011, through January 1, 2020, the
10 amount of the exemption under this subsection (1) is equal to
11 seventy-five percent of the state and local sales tax paid. The
12 purchaser is eligible for an exemption under this subsection (1)
13 ~~((e))~~ (b) in the form of a remittance.

14 (2) For purposes of this section and RCW 82.12.962, the following
15 definitions apply:

16 (a) "Biomass energy" includes: (i) By-products of pulping and
17 wood manufacturing process; (ii) animal waste; (iii) solid organic
18 fuels from wood; (iv) forest or field residues; (v) wooden demolition
19 or construction debris; (vi) food waste; (vii) liquors derived from
20 algae and other sources; (viii) dedicated energy crops; (ix)
21 biosolids; and (x) yard waste. "Biomass energy" does not include wood
22 pieces that have been treated with chemical preservatives such as
23 creosote, pentachlorophenol, or copper-chrome-arsenic; wood from old
24 growth forests; or municipal solid waste.

25 (b) "Fuel cell" means an electrochemical reaction that generates
26 electricity by combining atoms of hydrogen and oxygen in the presence
27 of a catalyst.

28 ~~(c) ("Landfill gas" means biomass fuel, of the type qualified
29 for federal tax credits under Title 26 U.S.C. Sec. 29 of the federal
30 internal revenue code, collected from a "landfill" as defined under
31 RCW 70.95.030.~~

32 ~~(d))~~(i) "Machinery and equipment" means fixtures, devices, and
33 support facilities that are integral and necessary to the generation
34 of electricity using fuel cells, wind, sun, biomass energy, tidal or
35 wave energy, geothermal resources, ~~((anaerobic digestion,))~~ or
36 technology that converts otherwise lost energy from exhaust~~((, or
37 landfill gas as the principal source of power))~~.

38 (ii) "Machinery and equipment" does not include: (A) Hand-powered
39 tools; (B) property with a useful life of less than one year; (C)
40 repair parts required to restore machinery and equipment to normal

1 working order; (D) replacement parts that do not increase
2 productivity, improve efficiency, or extend the useful life of
3 machinery and equipment; (E) buildings; or (F) building fixtures that
4 are not integral and necessary to the generation of electricity that
5 are permanently affixed to and become a physical part of a building.

6 (3)(a) Machinery and equipment is "used directly" in generating
7 electricity by wind energy, solar energy, biomass energy, tidal or
8 wave energy, geothermal resources, (~~(anaerobic digestion)~~) or
9 technology that converts otherwise lost energy from exhaust(~~(or~~
10 ~~landfill gas power~~)) if it provides any part of the process that
11 captures the energy of the wind, sun, biomass energy, tidal or wave
12 energy, geothermal resources, (~~(anaerobic digestion)~~) or technology
13 that converts otherwise lost energy from exhaust, (~~(or~~
14 ~~gas~~)) converts that energy to electricity, and stores, transforms,
15 or transmits that electricity for entry into or operation in parallel
16 with electric transmission and distribution systems.

17 (b) Machinery and equipment is "used directly" in generating
18 electricity by fuel cells if it provides any part of the process that
19 captures the energy of the fuel, converts that energy to electricity,
20 and stores, transforms, or transmits that electricity for entry into
21 or operation in parallel with electric transmission and distribution
22 systems.

23 (4)(a) A purchaser claiming an exemption in the form of a
24 remittance under subsection (1)(~~(e)~~) (b) of this section must pay
25 the tax imposed by RCW 82.08.020 and all applicable local sales taxes
26 imposed under the authority of chapters 82.14 and 81.104 RCW. The
27 purchaser may then apply to the department for remittance in a form
28 and manner prescribed by the department. A purchaser may not apply
29 for a remittance under this section more frequently than once per
30 quarter. The purchaser must specify the amount of exempted tax
31 claimed and the qualifying purchases for which the exemption is
32 claimed. The purchaser must retain, in adequate detail, records to
33 enable the department to determine whether the purchaser is entitled
34 to an exemption under this section, including: Invoices; proof of tax
35 paid; and documents describing the machinery and equipment.

36 (b) The department must determine eligibility under this section
37 based on the information provided by the purchaser, which is subject
38 to audit verification by the department. The department must on a
39 quarterly basis remit exempted amounts to qualifying purchasers who
40 submitted applications during the previous quarter.

1 (5) The exemption provided by this section expires September 30,
2 2017, as it applies to: (a) Machinery and equipment that is used
3 directly in the generation of electricity using solar energy and
4 capable of generating no more than five hundred kilowatts of
5 electricity; or (b) sales of or charges made for labor and services
6 rendered in respect to installing such machinery and equipment.

7 (6) This section expires January 1, 2020.

8 **Sec. 5.** RCW 82.12.900 and 2006 c 151 s 5 are each amended to
9 read as follows:

10 The provisions of this chapter do not apply with respect to:

11 (1) Equipment necessary to process biogas from a landfill into
12 marketable coproducts, including but not limited to biogas
13 conditioning and electrical generation equipment, or to services
14 rendered in respect to installing, constructing, repairing, cleaning,
15 altering, or improving equipment necessary to process biogas from a
16 landfill into marketable coproducts; and

17 (2) The use of anaerobic digesters, tangible personal property
18 that becomes an ingredient or component of anaerobic digesters, or
19 the use of services rendered in respect to installing, repairing,
20 cleaning, altering, or improving eligible tangible personal property
21 by an eligible person establishing or operating an anaerobic
22 digester, as defined in RCW 82.08.900. (~~The anaerobic digester must~~
23 be used primarily to treat livestock manure.))

24 **Sec. 6.** RCW 82.12.962 and 2017 3rd sp.s. c 36 s 16 are each
25 amended to read as follows:

26 (1)(a) Except as provided in RCW 82.12.963, consumers who have
27 paid the tax imposed by RCW 82.12.020 on machinery and equipment used
28 directly in generating electricity using fuel cells, wind, sun,
29 biomass energy, tidal or wave energy, geothermal resources,
30 (~~anaerobic digestion,~~) or technology that converts otherwise lost
31 energy from exhaust, (~~or landfill gas as the principal source of~~
32 ~~power,~~) or to sales of or charges made for labor and services
33 rendered in respect to installing such machinery and equipment, are
34 eligible for an exemption as provided in this section, but only if
35 the purchaser develops with such machinery, equipment, and labor a
36 facility capable of generating not less than one thousand watts of
37 electricity.

1 ~~((Beginning on July 1, 2009, through June 30, 2011, the~~
2 ~~provisions of this chapter do not apply in respect to the use of~~
3 ~~machinery and equipment described in (a) of this subsection that are~~
4 ~~used directly in generating electricity or to sales of or charges~~
5 ~~made for labor and services rendered in respect to installing such~~
6 ~~machinery and equipment.~~

7 ~~(e))~~ Beginning on July 1, 2011, through January 1, 2020, the
8 amount of the exemption under this subsection (1) is equal to
9 seventy-five percent of the state and local sales tax paid. The
10 consumer is eligible for an exemption under this subsection (1)
11 ~~((e))~~ (b) in the form of a remittance.

12 (2)(a) A person claiming an exemption in the form of a remittance
13 under subsection (1)~~((e))~~ (b) of this section must pay the tax
14 imposed by RCW 82.12.020 and all applicable local use taxes imposed
15 under the authority of chapters 82.14 and 81.104 RCW. The consumer
16 may then apply to the department for remittance in a form and manner
17 prescribed by the department. A consumer may not apply for a
18 remittance under this section more frequently than once per quarter.
19 The consumer must specify the amount of exempted tax claimed and the
20 qualifying purchases or acquisitions for which the exemption is
21 claimed. The consumer must retain, in adequate detail, records to
22 enable the department to determine whether the consumer is entitled
23 to an exemption under this section, including: Invoices; proof of tax
24 paid; and documents describing the machinery and equipment.

25 (b) The department must determine eligibility under this section
26 based on the information provided by the consumer, which is subject
27 to audit verification by the department. The department must on a
28 quarterly basis remit exempted amounts to qualifying consumers who
29 submitted applications during the previous quarter.

30 (3) Purchases exempt under RCW 82.08.962 are also exempt from the
31 tax imposed under RCW 82.12.020.

32 (4) The definitions in RCW 82.08.962 apply to this section.

33 (5) The exemption provided in subsection (1) of this section does
34 not apply:

35 (a) To machinery and equipment used directly in the generation of
36 electricity using solar energy and capable of generating no more than
37 five hundred kilowatts of electricity, or to sales of or charges made
38 for labor and services rendered in respect to installing such
39 machinery and equipment, when first use within this state of such

1 machinery and equipment, or labor and services, occurs after
2 September 30, 2017; and

3 (b) To any other machinery and equipment described in subsection
4 (1)(a) of this section, or to sales of or charges made for labor and
5 services rendered in respect to installing such machinery or
6 equipment, when first use within this state of such machinery and
7 equipment, or labor and services, occurs after December 31, 2019.

8 (6) This section expires January 1, 2020.

9 **Sec. 7.** RCW 84.36.635 and 2010 1st sp.s. c 11 s 4 are each
10 amended to read as follows:

11 (1) For the purposes of this section((÷

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

16 ~~(b))~~, "anaerobic digester" has the same meaning as provided in
17 RCW 82.08.900.

18 ~~((c) "Biodiesel feedstock" means oil that is produced from an~~
19 ~~agricultural crop for the sole purpose of ultimately producing~~
20 ~~biodiesel fuel.~~

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

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

38 ~~((b) For manufacturing facilities which produce products in~~
39 ~~addition to alcohol fuel, biodiesel fuel, or biodiesel feedstock, the~~

1 amount of the property tax exemption is based upon the annual
2 percentage of the total value of all products manufactured that is
3 the value of the alcohol fuel, biodiesel fuel, and biodiesel
4 feedstock manufactured.)

5 (3) Claims for exemptions authorized by this section must be
6 filed with the county assessor on forms prescribed by the department
7 of revenue and furnished by the assessor. Once filed, the exemption
8 is valid for six years and may not be renewed. The assessor must
9 verify and approve claims as the assessor determines to be justified
10 and in accordance with this section. No claims may be filed after
11 December 31, (~~2015, except for claims for anaerobic digesters, which~~
12 ~~may be filed no later than December 31, 2012~~) 2024.

13 (4) The department of revenue may promulgate such rules, pursuant
14 to chapter 34.05 RCW, as necessary to properly administer this
15 section.

16 **Sec. 8.** RCW 82.29A.135 and 2010 1st sp.s. c 11 s 6 are each
17 amended to read as follows:

18 (1) For the purposes of this section(÷

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

23 (b))_ "anaerobic digester" has the same meaning as provided in
24 RCW 82.08.900.

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

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

33 (e) ~~"Wood biomass fuel" means a pyrolytic liquid fuel or~~
34 ~~synthesis gas derived liquid fuel, used in internal combustion~~
35 ~~engines, and produced from wood, forest, or field residue, or~~
36 ~~dedicated energy crops that do not include wood pieces that have been~~
37 ~~treated with chemical preservatives such as creosote,~~
38 ~~pentachlorophenol, or copper-chrome-arsenic.)~~

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

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

20 (3) Claims for exemptions authorized by this section must be
21 filed with the department of revenue on forms prescribed by the
22 department of revenue and furnished by the department of revenue.
23 Once filed, the exemption is valid for six years and may not be
24 renewed. The department of revenue must verify and approve claims as
25 the department of revenue determines to be justified and in
26 accordance with this section. No claims may be filed after December
27 31, ~~((2015, except for claims for anaerobic digesters, which may be~~
28 ~~filed no later than December 31, 2012))~~ 2024.

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

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