

## CHAPTER 497

[Engrossed Second Substitute House Bill No. 321]

## ALUMINUM PRODUCTION OR CASTING—EXCISE TAX DEFERRALS

AN ACT Relating to excise tax deferrals on machinery, equipment, and other personal property used in the production or casting of aluminum; amending RCW 82.61.010, 82.61.020, 82.61.030, and 82.61.060; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

Sec. 1. Section 1, chapter 2, Laws of 1985 ex. sess. as amended by section 9, chapter 116, Laws of 1986 and RCW 82.61.010 are each amended to read as follows:

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

(1) "Applicant" means a person applying for a tax deferral under this chapter.

(2) "Person" has the meaning given in RCW 82.04.030.

(3) "Department" means the department of revenue.

(4) "Eligible investment project" means:

(a) Construction of new buildings and the acquisition of new related machinery and equipment when the buildings, machinery, and equipment are to be used for either manufacturing or research and development activities, which construction is commenced prior to December 31, 1988; or

(b) Acquisition prior to December 31, 1988, of new machinery and equipment to be used for either manufacturing or research and development if the machinery and equipment is housed in a new leased structure: PROVIDED, That the lessor/owner of the structure is not eligible for a deferral unless the underlying ownership of the buildings, machinery, and equipment vests exclusively in the same person; or

(c) Acquisition of all new or used machinery, equipment, or other personal property for use in the production or casting of aluminum at an aluminum smelter or at facilities related to an aluminum smelter, if the plant was in operation prior to 1975 and has ceased operations or is in imminent danger of ceasing operations for economic reasons, as determined by the department, and if the person applying for a deferral (i) has consulted with any collective bargaining unit that represented employees of the plant pursuant to a collective bargaining agreement that was in effect either immediately prior to the time the plant ceased operations or during the period when the plant was in imminent danger of ceasing operations, on the proposed operation of the plant and on the terms and conditions of employment for wage and salaried employees and (ii) has obtained a written concurrence from the bargaining unit on the decision to apply for a deferral under this chapter or has received a concurrence waiver from the department of trade and economic development; or

(d) Modernization projects involving construction, acquisition, or upgrading of equipment or machinery, including services and labor, which are commenced after the effective date of this 1987 section and are intended to increase the operating efficiency of existing plants which are either aluminum smelters or aluminum rolling mills or of facilities related to such plants, if the plant was in operation prior to 1975, and if the person applying for a deferral (i) has consulted with any collective bargaining unit that represents employees of the plant on the proposed operation of the plant and the terms and conditions of employment for wage and salaried employees and (ii) has obtained a written concurrence from the bargaining unit on the decision to apply for a deferral under this chapter or has received a concurrence waiver from the department of trade and economic development.

(5) "Manufacturing" means all activities of a commercial or industrial nature wherein labor or skill is applied, by hand or machinery, to materials so that as a result thereof a new, different, or useful substance or article of tangible personal property is produced for sale or commercial or industrial use and includes the production or fabrication of specially made or custom-made articles.

(6) "Research and development" means the development, refinement, testing, marketing, and commercialization of a product, service, or process before commercial sales have begun.

(7) "Buildings" means only those new structures used for either manufacturing or research and development activities, including plant offices and warehouses or other facilities for the storage of raw materials or finished goods if such facilities are an essential or an integral part of a factory, mill, plant, or laboratory used for manufacturing or research and development purposes. If a building is used partly for manufacturing or research and development and partly for other purposes, the applicable tax deferral shall be determined by apportionment of the costs of construction under rules adopted by the department.

(8) "Machinery and equipment" means all ~~((new))~~ industrial and research fixtures, equipment, and support facilities that are an integral and necessary part of a manufacturing or research and development operation. "Qualified machinery and equipment" includes computers; software; data processing equipment; laboratory equipment; manufacturing components such as belts, pulleys, shafts, and moving parts; molds, tools, and dies; operating structures; and all equipment used to control or operate the machinery. For purposes of this ~~((definition))~~ chapter, new machinery and equipment means either new to the taxing jurisdiction of the state or new to the certificate holder. ~~Used machinery and equipment ((are eligible for deferral))~~ may be treated as new equipment and machinery if the certificate holder either brings the machinery and equipment into Washington or makes a retail purchase of the machinery and equipment in Washington or elsewhere.

(9) "Qualified employment position" means a permanent full-time employee employed in the eligible investment project during the entire tax year.

(10) "Recipient" means a person receiving a tax deferral under this chapter.

(11) "Certificate holder" means an applicant to whom a tax deferral certificate has been issued.

(12) "Operationally complete" means constructed or improved to the point of being functionally useable for the intended purpose.

(13) "Initiation of construction" means that date upon which on-site construction commences.

(14) "Concurrence waiver" means a written waiver of an otherwise required concurrence from a bargaining unit. The department of trade and economic development may issue a concurrence waiver only if:

(a) The department determines an applicant has made a good faith effort to obtain the required concurrence from a bargaining unit; and

(b) The department determines that granting the concurrence waiver is clearly in the best interests of the people of this state.

Sec. 2. Section 2, chapter 2, Laws of 1985 ex. sess. and RCW 82.61-.020 are each amended to read as follows:

Application for deferral of taxes under this chapter shall be made before initiation of the construction of the investment project or acquisition of equipment or machinery or plant. Application for deferral of taxes for modernization projects as defined in RCW 82.61.010(4)(d) shall be made during the calendar year in which construction begins or acquisition of equipment or machinery occurs. The application shall be made to the department in a form and manner prescribed by the department. The application shall contain information regarding the location of the investment project, estimated or actual costs, time schedules for completion and operation, and other information required by the department. The department shall rule on the application within sixty days. A certificate holder shall initiate construction of the investment project within one hundred eighty days of receiving approval from the department and issuance of the tax deferral certificate.

Sec. 3. Section 3, chapter 2, Laws of 1985 ex. sess. and RCW 82.61-.030 are each amended to read as follows:

Except for eligible projects within the definitions in RCW 82.61.010(4) (c) or (d), a tax deferral certificate shall only be issued to persons who, on June 14, 1985, are not engaged in manufacturing or research and development activities within this state. For purposes of this section, a person shall not be considered to be engaged in manufacturing or research and development activities where the only activities performed by such person in this state are sales, installation, repair, or promotional activities in respect to products manufactured outside this state. Any person who has succeeded by

merger, consolidation, incorporation or any other form or change of identity to the business of a person engaged in manufacturing or research and development activities in this state on June 14, 1985, and any person who is a subsidiary of a person engaged in manufacturing or research and development activities in this state on June 14, 1985, shall also be ineligible to receive a tax deferral certificate.

Sec. 4. Section 5, chapter 2, Laws of 1985 ex. sess. and RCW 82.61-.060 are each amended to read as follows:

(1) The recipient shall begin paying the deferred taxes in the third year after the date certified by the department as the date on which the construction project is operationally complete or the plant resumes operation, as appropriate. The first payment will be due on December 31st of the third calendar year after such certified date, with subsequent annual payments due on December 31st of the following four years with amounts of payment scheduled as follows:

Repayment Year	% of Deferred Tax Repaid
1	10%
2	15%
3	20%
4	25%
5	30%

(2) The department may authorize an accelerated repayment schedule upon request of the recipient.

(3) Interest shall not be charged on any taxes deferred under this chapter for the period of deferral, although all other penalties and interest applicable to delinquent excise taxes may be assessed and imposed for delinquent payments under this chapter. The debt for deferred taxes is not extinguished by insolvency or other failure of the recipient.

**NEW SECTION.** Sec. 5. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

**NEW SECTION.** Sec. 6. This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House March 20, 1987.

Passed the Senate April 17, 1987.

Approved by the Governor May 19, 1987.

Filed in Office of Secretary of State May 19, 1987.