

# SPECIAL NOTICE

June 24, 2003

For further information contact:  
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1-800-647-7706 or (360) 486-2345

Alternate Formats (360) 486-2342  
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## Biofuel Manufacturers

### Tax Benefits for Manufacturers of Biodiesel Fuel, Biodiesel Alcohol Fuel, Feedstock and Wood Biomass Fuel

Effective July 1, 2003, 2SHB 1240, Chapter 261, Laws of 2003 and EHB 2146, Chapter 339, Laws of 2003, provide significant tax benefits for persons who manufacture biodiesel fuel, alcohol fuel, biodiesel feedstock, and wood biomass fuel. The benefits include property and leasehold excise tax exemptions and a lower B&O tax rate for persons manufacturing these products.

For purposes of the exemptions and lower B&O tax rate described below, the following definitions apply:

**Biodiesel Fuel** means a mono alkyl ester of long chain fatty acids derived from vegetable oils or animal fats for use in compression-ignition engines and meets the American Society of Testing and Materials specification D 6751. *Taxpayers must maintain certification from a testing lab that their biodiesel meets the ASTM standard*

**Biodiesel Feedstock** means oil that is produced from an agricultural crop for the sole purpose of ultimately producing biodiesel fuel.

**Alcohol Fuel** means any alcohol made from a product other than petroleum or natural gas that is used in combination with gasoline or other petroleum products for use as a fuel in motor vehicles or farm implements.

**Wood Biomass Fuel** means pyrolytic liquid fuel or synthesis gas-derived liquid fuel, used in internal combustion engines, and produced from wood, forest, or field residue, or from dedicated energy crops, and does not include any wood pieces that contain chemical preservatives.

### B&O Tax Rate Reduction

- ◆ The tax rate for manufacturers of biodiesel fuel, biodiesel feedstock, alcohol fuel, and wood biomass fuel has been reduced from 0.484% to 0.138%. The value of such products should be reported on Line 5 of the Combined Excise Tax Return.

(more)



The lower rate does not apply to the manufacture of biodiesel fuel **blends** or wood biomass fuel **blends**.

Please note that such fuels remain subject to the Special Fuels tax, RCW 82.38 when sold for the propulsion of motor vehicles upon the road and highways of this state. For detailed information about this tax, contact the Department of Licensing, Fuel Tax Division (<http://www.dol.wa.gov/>).

### **Property Tax and Leasehold Excise Tax Exemption**

EHB 2146 and 2SHB 1240 both provide that qualifying real and personal property is exempt or partially exempt from property tax and leasehold excise tax. **Qualifying** real and personal property must be operational and must be used primarily for manufacturing alcohol, biodiesel or wood biomass fuels. Qualifying property includes buildings, machinery and equipment, other personal property and land associated with the manufacture of these products, but not the land used to grow crops. The buildings and equipment must be new and not have existed before July of 2003.

For manufacturing facilities that produce other products in addition to biodiesel, alcohol, or wood biomass fuels or biofeedstock, the property exemption will be computed on a ratio based on the annual value of the biodiesel, alcohol or wood biomass fuels or biodiesel feedstock as compared to the annual value of all other products produced. Application for the exemption must be made by November 1. Application for property tax exemption is made through the local county assessor. Application for leasehold excise tax exemption is made through the Department of Revenue. No claims for exemption may be filed after December 31, 2009.

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