

FINAL BILL REPORT

SSB 6656

PARTIAL VETO

C 173 L 96

Synopsis as Enacted

Brief Description: Providing sales and use tax exemptions for manufacturing machinery and equipment.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Bauer, Cantu, Sutherland, Moyer, Owen, Hale, Hargrove, Schow, Heavey, Wood, Rasmussen, Strannigan, Sheldon, Finkbeiner, Franklin, Johnson, Snyder, West, Winsley, Zarelli, Long, Deccio, Oke, Spanel and A. Anderson).

Senate Committee on Ways & Means

Background: The sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services. Materials and labor used to alter or improve real or personal property are subject to the tax. Exempt from tax are purchases for resale and purchases of components and ingredients that become part of another product for sale.

SB 5201, passed in the 1995 session, exempts from sales and use taxes, new and replacement machinery and equipment used directly in the manufacturing process, including installation labor. Replacement parts are exempt only if they improve efficiency, increase productivity or extend the useful life of the equipment.

Summary: The replacement parts and costs of repairing and/or cleaning equipment used in the manufacturing process are exempt from sales tax and use tax. The requirement to improve efficiency, increase productivity or extend the useful life of the equipment is no longer necessary.

Partial Veto Summary: Section 4 of the bill, the effective date of January 1, 1997, was vetoed.

Votes on Final Passage:

Senate	47	1
House	74	24

Effective: June 6, 1996