

FINAL BILL REPORT

SB 6573

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SYNOPSIS AS ENACTED

Brief Description: Directing a study to examine the effect of the tax system on manufacturers.

SPONSORS: Senators Bauer and Bluechel

SENATE COMMITTEE ON WAYS & MEANS

HOUSE COMMITTEE ON REVENUE

BACKGROUND:

Washington's major business tax is the business and occupation (B&O) tax. This tax is levied on the gross receipts of all business activities conducted within the state without any deduction for the costs of doing business. Because of this, the tax is more beneficial to high-profit businesses which tend to be more established.

In addition, retail sales and use taxes apply to labor and materials used to construct or renovate manufacturing facilities and to the purchase of new and replacement manufacturing equipment and machinery. The retail sales tax does not apply to the purchase of property which becomes an ingredient or component of a new article of property for sale.

SUMMARY:

The Department of Revenue shall study the current state tax structure as it applies to manufacturers. The study shall address the taxes that apply, incentives that are available, effects over the various stages of its business cycle, the treatment of new and established manufacturers, the added cost of capital resulting from the sales tax on construction and equipment, taxes and tax incentives in other states, the relative competitive position of in-state and out-of-state manufacturers, and the economic and other effects of tax incentives.

The department shall form an advisory study committee with representation from government and the manufacturing industries. The advisory committee shall include two members from the House of Representatives, two members from the Senate, and representatives of both small and large manufacturing businesses. The advisory committee may also include representatives of local government, and tax policy experts from the academic, legal, and business communities.

The Department of Revenue shall present a final report to the legislative fiscal committees by December 31, 1994.

VOTES ON FINAL PASSAGE:

Senate	43	0
House	95	0

EFFECTIVE: June 9, 1994