

# HOUSE BILL REPORT

## HB 2356

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### As Reported By House Committee On:

Government Reform & Land Use

**Title:** An act relating to eliminating requirements for filing certificates or annual summaries for sales and use tax exemptions on manufacturing machinery and equipment.

**Brief Description:** Eliminating requirements for filing certificates or annual summaries for sales and use tax exemptions on manufacturing machinery and equipment.

**Sponsors:** Representatives Reams, Romero, Gardner and Linville; by request of Department of Revenue.

### Brief History:

#### Committee Activity:

Government Reform & Land Use: 1/22/98 [DP].

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## HOUSE COMMITTEE ON GOVERNMENT REFORM & LAND USE

**Majority Report:** Do pass. Signed by 11 members: Representatives Reams, Chairman; Cairnes, Vice Chairman; Sherstad, Vice Chairman; Romero, Ranking Minority Member; Lantz, Assistant Ranking Minority Member; Bush; Fisher; Gardner; Mielke; Mulliken and Thompson.

**Staff:** Joan Elgee (786-7135).

**Background:** In 1995, the Legislature enacted a sales and use tax exemption for machinery and equipment used directly in a manufacturing operation. The exemption was expanded in 1996 to include machinery and equipment used directly in a research and development operation.

The purchaser must provide the seller with an exemption certificate and provide the Department of Revenue with a duplicate of the certificate or a summary of their exempt sales.

The 1995 legislation directed the legislative fiscal committees to report to the Legislature by December 1, 1999, on the economic impacts of the exemption. The Department of Revenue must provide data requested by the committees to perform the analysis.

**Summary of Bill:** The requirement to report sales and use tax exemptions for machinery and equipment used directly in a manufacturing operation or research operation to the Department of Revenue is eliminated.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect July 1, 1998.

**Testimony For:** Manufacturers feel that the requirement is burdensome; one large manufacturer had to hire three temporary workers to produce the summary. Small business is not using the exemption because of the paperwork. Information for the study is available.

**Testimony Against:** None

**Testified:** Jim Hedrick, Department of Revenue; Carolyn Logue, National Federation of Independent Business; Gary Smith, Independent Business Association; and Mark Triplett, Triplett and Associates.