

SENATE BILL REPORT

SB 5543

As Passed Senate, April 8, 1997

Title: An act relating to sales and use tax deferrals for rentals of machinery and equipment used in the installation and construction of investment projects in distressed areas.

Brief Description: Deferring sales and use tax for rentals of machinery and equipment used in the installation and construction of investment projects in distressed areas.

Sponsors: Senators Snyder, West, Bauer, Zarelli, Oke and Fraser; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 2/26/97, 3/26/97 [DP].
Passed Senate, 4/8/97, 47-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Hochstatter, Long, Loveland, Rossi, Sheldon, Snyder, Spanel, Swecker, Thibaudeau and Zarelli.

Staff: David Schumacher (786-7474)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 percent and 8.6 percent, depending on location.

The Distressed Area Sales/Use Tax Deferral/Exemption Program grants a waiver of sales/use tax for manufacturing, research and development, or computer-related businesses located in the specific geographical areas.

The business must invest in facility construction, expansion, or machinery and equipment. The machinery and equipment must be new to the business or the state and must be necessary for the operation of the eligible business activity.

The rental of machinery and equipment is currently subject to the sales and use tax.

Summary of Bill: The Distressed Area Sales/Use Tax Deferral/Exemption Program is expanded to include the rental of machinery and equipment used for the construction and/or installation of an eligible investment. It is applied to projects for which a deferral is approved after June 30, 1997.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill corrects a problem with previous legislation. It will promote investment and expansion and good jobs.

Testimony Against: None.

Testified: PRO: Richard Wechsler, BHP Steel; Lanny Cawley, Port of Kalama.