

SENATE BILL REPORT

SB 6452

As of January 20, 1998

Title: An act relating to providing a tax incentive to build facilities to be used by biotechnology businesses.

Brief Description: Providing a tax incentive to build facilities to be used by biotechnology businesses.

Sponsors: Senators Snyder, Winsley, Kohl, Loveland, T. Sheldon, Goings, B. Sheldon, Patterson and Bauer; by request of Governor Locke.

Brief History:

Committee Activity: Ways & Means: 1/21/98.

SENATE COMMITTEE ON WAYS & MEANS

Staff: David Schumacher (786-7474)

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.

A variety of sales and use tax deferral and exemption programs have been enacted to encourage the location of business in Washington.

The high technology deferral/exemption program is available statewide to businesses involved in "high-tech" research and development and pilot scale manufacturing. The business must be involved in biotechnology, advanced computing, electronic device technology, advanced materials, or environmental technology. These businesses may defer sales and use taxes on buildings, machinery and equipment, and installation labor. Deferred taxes need not be repaid if the businesses meet the obligations of the program.

The lessor of a qualified building is not eligible for the deferral/exemption unless the benefit of the deferral is passed on to the lessee.

Summary of Bill: A sales and use tax exemption is provided on buildings, machinery and equipment, and installation labor for the builder of new or renovated building for biotechnology research and development that meet certain strict building requirements.

The recipient of a deferral is not required to have a signed agreement with a tenant before initiation of construction and the recipient is not required to pass the economic benefit of the deferral along to the lessor in the form of reduced rents.

Appropriation: None.

Fiscal Note: Available.

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