

SENATE BILL REPORT

SHB 2640

As Reported By Senate Committee On:
International Trade & Economic Development, February 21, 2006
Ways & Means, February 27, 2006

Title: An act relating to biotechnology product and medical device manufacturing tax incentives.

Brief Description: Providing biotechnology product and medical device manufacturing tax incentives.

Sponsors: House Committee on Finance (originally sponsored by Representatives B. Sullivan, McCoy, O'Brien, Haler, Sells, Morris, Ericks, Strow and Dunn).

Brief History: Passed House: 2/10/06, 93-5.

Committee Activity: International Trade & Economic Development: 2/15/06, 2/21/06[DP-WM].

Ways & Means: 2/24/06, 2/27/06 [DP, DNP, w/oRec].

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Shin, Chair; Sheldon, Vice Chair; Pflug, Ranking Minority Member; Doumit, Eide, Roach and Zarelli.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Parlette, Pflug, Rasmussen, Roach and Schoesler.

Minority Report: Do not pass.

Signed by Senators Fraser, Vice Chair, Capital Budget Chair and Fairley.

Minority Report: That it be referred without recommendation.

Signed by Senator Rockefeller.

Staff: Dean Carlson (786-7305)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. The use tax is imposed at the same rate as the retail sales tax on items used in Washington that were not subject to the sales tax. Sales and use taxes are imposed by the state, counties, and cities. There are a number of

sales and use tax exemptions, including machinery and equipment directly used in manufacturing.

Summary of Bill: State and local sales and use taxes are deferred for investments in construction or renovation of structure, or machinery and equipment, used for biotechnology product or medical device manufacturing. The deferred taxes need not be repaid unless the property is used for ineligible purposes.

Persons claiming a tax incentive under the bill must file an annual report with the Department of Revenue. The report must include the amount of tax incentive claimed or used, and information on employment positions, wages, and employer provided health and retirement benefits. The only information collected by the department that may be disclosed is the amount of the tax incentive claimed or used. Failure to submit a survey in any year will result in a forfeit of the tax incentive for that year. The department is to report on the results of the tax incentives in the bill by December 1, 2009, and December 1, 2015.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For (International Trade & Economic Development): This sales tax deferral bill will encourage R&D companies to engage in manufacturing. This is a good first step toward making Washington competitive. We can secure firms that would like to grow. Our state has dropped from the 5th largest to the 10th largest biotech center.

Testimony Against (International Trade & Economic Development): None.

Who Testified (International Trade & Economic Development): PRO: Representative Sullivan; Deborah Knutson, EDC of Snohomish Co.; Vicki Austin, WA Biotech and Biomedical Assoc.; Steve Smith, Snohomish Co. Exec. Office.

Testimony For (Ways & Means): Washington State is already investing in research and development. This will help expand into manufacturing of life sciences programs. We are already in the top 10 in the country. This will help us expand all the way to manufacturing. Burlex is looking at expanding into Snohomish county and we need to be competitive. Most of our companies are in early stages of clinical development, but a handful are ready to enter the manufacturing stage.

Testimony Against (Ways & Means): None

Who Testified (Ways & Means): PRO: Vicki Austin, WBBA; Deborah Knutson, Snohomish county EDC.