

SENATE BILL REPORT

SB 5640

As Reported By Senate Committee On:
International Trade & Economic Development, February 17, 2005

Title: An act relating to the business and occupation taxation of royalties.

Brief Description: Exempting royalty income on patents and copyrights from business and occupation tax for five years.

Sponsors: Senators Eide, Haugen, Shin and Rasmussen.

Brief History:

Committee Activity: International Trade & Economic Development: 2/3/05, 2/17/05 [DPS-WM].

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5640 be substituted therefor, and the substitute bill 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)

Background: The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. It is levied on the gross receipts of all business activities, except utility activities, conducted within the state. Prior to 1998, income from royalties for the granting of such rights as copyrights, licenses, patents, or franchise fees were taxed at a 1.5 percent services rate. In 1998, the legislature created a new B&O tax classification for business receiving income from royalties and taxed such income at a 0.484 percent rate.

Summary of Substitute Bill: The B&O tax does not apply to royalties received for patents or copyrights during the five years following the registration of the copyright or the filing of the patent..

Substitute Bill Compared to Original Bill: The substitute contains technical amendments clarifying intent.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2005.

Testimony For: When technology transfer occurs, it is a good idea to incentivize it.

Testimony Against: None.

Concerns: Bio-Science companies might not have any income for more than five years.

Who Testified: PRO: Lew McMuran, WA Software Alliance. CONCERNS: Linda Hull, WA Biotechnology and Biomedical Assoc.