

SENATE BILL REPORT

SB 6712

As Reported By Senate Committee On:
International Trade & Economic Development, January 31, 2006

Title: An act relating to providing small businesses whose owners are trained in entrepreneurial development with excise tax relief.

Brief Description: Providing small businesses whose owners are trained in entrepreneurial development with excise tax relief.

Sponsors: Senators Eide, Fairley, Brown, Keiser, McAuliffe and Franklin.

Brief History:

Committee Activity: International Trade & Economic Development: 1/26/06, 1/31/06[DP-WM, w/oRec].
Ways & Means: 2/7/06.

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 and Eide.

Minority Report: That it be referred without recommendation.

Signed by Senators Roach and Zarelli.

Staff: William Bridges (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Business and Occupation Tax (B&O). The B&O tax is imposed on the gross receipts, income, or sales of a business operating in Washington. The tax rate varies depending on the classification of the business activity. The rate for services provided by lawyers, management consultants, tutors, and others is 1.5 percent.

Summary of Bill: Creating a B&O Exemption for Small Businesses. Eligible businesses, with five or fewer employees, are exempt from the B&O tax for any two-year period during the first five years of business. An eligible business must meet the following requirements:

- The owners participated in at least 25 hours of entrepreneurial or small business training or counseling, and applied this training or counseling to the business. The training must be approved by the Washington State University Small Business

Development Center, the Department of Employment Security, or the Work Force Training and Education Coordinating Board, and

- For businesses in the "service" tax classification, the gross income must not exceed \$60,000 for any 12 consecutive months during the first five years of operation. For all other businesses, the gross income must not exceed \$120,000 for any 12 consecutive months during the first five years of operation.

Definitions. Terms are defined, including "entrepreneurial or small business training," which means assistance focused on entrepreneurial and small business development offered by agencies or public or private community development and economic assistance organizations.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: The bill is part of a package that will assist small businesses. The state will reap benefits from helping people start small businesses. Micro businesses create jobs. The bill will help microenterprises to attain self-sufficiency and keep going.

Testimony Against: None.

Who Testified: PRO: Sen. Eide, prime sponsor; Corinne Dee Kelly, Unitarian Voices for Justice; Lisa Smith, Enterprise for Equity.