

**HB 2640 - DIGEST**

(SUBSTITUTED FOR - SEE 1ST SUB)

Finds that the state's economy is increasingly dependent on the expansion of knowledge-based sectors, including the life sciences.

Finds that commercial enterprises in the life sciences create high-wage, high-skilled jobs that are part of the state's effort to encourage economic diversification and stability. However, the legislature also finds that commercial life sciences businesses, particularly in biotechnology product and medical device manufacturing, incur significant costs associated with capital infrastructure and job training often years before a product is licensed for marketing or a facility is licensed for manufacturing by governmental agencies in the United States and abroad.

Finds that current state tax policy discourages the growth of these companies in two ways: (1) Washington state's higher rate of taxation compared with other states and nations encourages the export of intellectual property and commercial operations out of Washington; and

(2) Taxing these businesses before facilities, or products produced therein, are licensed for marketing by regulatory agencies.

Finds that targeted tax incentives may encourage the formation, expansion, and retention of commercial operations within the life sciences sector. The legislature also finds that tax incentives should be subject to the same rigorous requirements for efficiency and accountability as are other expenditure programs, and that tax incentives should therefore be focused to provide the greatest possible return on the state's investment.

Establishes a program of business and occupation tax credits for qualified biotechnology product and medical device commercial expenditures.

Establishes a tax deferral program for commercial manufacturing facilities in this sector.

Provides preferential tax rates for retailing, wholesaling, and manufacturing activities related to biotechnology products and medical devices.

Declares that these limited programs serve the vital public purposes of incenting expenditures in commercial life science operations and the development of employment opportunities in this state.

Declares an intent to create a contract within the meaning of Article I, section 23 of the state Constitution as to those businesses that make capital investments in consideration of the tax deferral program established in this act.