

# SENATE BILL REPORT

## SB 5667

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As Reported By Senate Committee On:  
Economic Development, Trade & Management, February 23, 2007

**Title:** An act relating to excise tax relief for small businesses.

**Brief Description:** Providing excise tax relief for small businesses.

**Sponsors:** Senators Franklin, Eide, Rasmussen, Kilmer, Regala, Marr and Shin.

**Brief History:**

**Committee Activity:** Economic Development, Trade & Management: 2/09/07, 2/23/07 [DP-WM].

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

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

Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Zarelli, Ranking Minority Member; Clements, Kauffman and Shin.

**Staff:** Jacob White (786-7448)

**Background:** The business & occupation (B&O) tax is levied for the privilege of doing business in Washington. Businesses are authorized a credit against tax equal to \$35 per month. The credit provides a complete exemption up to a certain income and is eliminated at twice the exemption amount. Non-retailing businesses with incomes of \$28,000 per year or less are required to register with the Department of Revenue but do not need to file tax returns.

Initiative 601 limits the annual growth in state General Fund expenditures to the "fiscal growth factor." The fiscal growth factor is the average rate of state population increase and inflation during the prior three fiscal years.

Beginning July 1, 2008, the fiscal growth factor is the average growth in state personal income for the prior ten fiscal years.

**Summary of Bill:** Annually, beginning in calendar year 2007, the small business credit must be increased by the fiscal growth factor for the fiscal year that ends June 30th of the prior calendar year. Increases are rounded to the nearest multiple of one dollar. The credit is not decreased for a negative fiscal growth factor.

The \$28,000 income requirement for exemption from filing returns is also increased each year by the fiscal growth factor.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: It is difficult for small businesses to survive. This bill offers a little help to these businesses by relieving a portion of the taxes these businesses pay.

**Persons Testifying:** PRO: Senator Rosa Franklin, prime sponsor.