

# SENATE BILL REPORT

## SB 5763

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As Reported By Senate Committee On:  
Labor, Commerce, Research & Development, February 26, 2007

**Title:** An act relating to the rate of business and occupation taxation for persons engaged in certain life sciences research, development, and production.

**Brief Description:** Modifying the business and occupation tax rate for certain life sciences purposes.

**Sponsors:** Senators Shin, Delvin and Kohl-Welles.

**Brief History:**

**Committee Activity:** Labor, Commerce, Research & Development: 2/20/07, 2/26/07 [DPS-WM].

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### SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 5763 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Clements, Ranking Minority Member; Franklin, Holmquist, Murray and Prentice.

**Staff:** Sherry McNamara (786-7402)

**Background:** Washington imposes a gross receipts tax on persons conducting business activities in the state known as the Business and Occupation (B&O) tax. There are different reporting classifications for various business activities such as manufacturing, wholesaling, retail sales and services. Each classification has its own tax rate.

Currently, manufacturers of biotechnology products and medical devices are subject to a B&O tax rate of 0.484 percent. Persons, other than nonprofit corporations and associations, engaged in research and development that are not associated with production are subject to a B&O tax rate of 1.5 percent.

**Summary of Bill:** A B&O tax rate of 0.484 percent is established for income received by persons engaged in life sciences research, development, and production for biotechnological and medical device purposes.

The bill defines "life sciences research, development, and production for biotechnological and medical device purposes" as advanced and applied research and development and production intended to improve human health, including scientific study of the developing brain and

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human learning and development, and other areas of scientific research and development vital to the state's economy.

**EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Labor, Commerce, Research & Development):** January 1, 2008, is added as the date to begin the B&O tax rate at 0.484 percent.

The definitions are revised to reflect the meanings already in RCW for biotechnology, research and development, biotechnology product, and medical device product.

**Appropriation:** None.

**Fiscal Note:** Requested on February 15, 2007.

**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: A couple of years ago the Legislature passed the B&O tax credit. The question that led to this bill is: Why are research companies paying the B&O service rate? Research companies were given the service rate by default. The nonprofit research entities pay the 0.484 rate. It is important to increase private investment in research, to ease the burden on research companies, and to create a positive business environment in order to grow life sciences in our state. The Business Climate Task Force recommended an overall equity in taxes and in the short term to explore what is the appropriate tax rate for research companies.

**Persons Testifying:** PRO: Senator Shin, prime sponsor; Patti McKinnle-Davis, Linda Hull, Washington Biotechnology and Biomedical Association.