

SENATE BILL REPORT

SB 5713

As of February 10, 2009

Title: An act relating to providing a business and occupation tax credit for participants in the Washington manufacturing innovation and modernization extension service program.

Brief Description: Providing a business and occupation tax credit for participants in the Washington manufacturing innovation and modernization extension service program.

Sponsors: Senators Kastama, Shin, King and McCaslin.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 2/09/09.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Philip Brady (786-7460)

Background: In 2006 Washington Manufacturing Services (WMS) was created in statute as a private, nonprofit corporation to operate a modernization extension system, coordinate modernization resources, and stimulate the competitiveness of small and midsize manufacturers. WMS is affiliated with the federal National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership. WMS may charge fees for services and receive funds from private and public sources. Federal funding for the program is contingent on the receipt of state matching funds and private funds.

The Washington Manufacturing Innovation and Modernization Extension Service program (program) is administered by the Department of Community, Trade, and Economic Development (CTED). Participants in the program must be small manufacturers, industry associations, or cluster associations. Participants may receive vouchers of up to \$200,000 per year to cover the costs of manufacturing extension services. Such services are to be provided by a qualified manufacturing extension partnership affiliate such as WMS and costs must be repaid.

The Manufacturing Innovation and Modernization Account is used to fund the program's services. Funds in the account come from payments made by participants in the program and monies solicited by the Director of CTED.

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.

The business and occupations tax (B&O tax) is imposed on the gross receipts of business activities conducted within the state without any deduction for the costs of doing business. The B&O tax is imposed on the gross receipts from all business activities conducted within the state.

Summary of Bill: Participants in the program are allowed a credit against their B&O tax liability. This credit is equal to 50 percent of their contributions to the Manufacturing Innovation and Modernization Account. Participating small manufacturers who have fewer employees in the state in the calendar year after completion of the program than in the calendar year preceding participation in the program must pay back the credit with interest. Credits may be carried over from year to year, but are capped statewide at \$1,225,000.

This provision expires July 1, 2019.

Appropriation: None.

Fiscal Note: Requested on January 29, 2009.

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: There is a demand for WMS services. This tax credit provides the same incentives as the customized training program. Tax credits were in the original bill last year, but were removed. This would reinstate them. The fiscal note should be lower since it reflects a fully-funded program, which this is not. The first fiscal impacts wouldn't be felt until the 2011-2013 biennium. By the time the tax credits are used, business will have picked up enough to offset the credit. It would be an incentive at a time when money is tight, and would help companies get over the hump and succeed in an innovation economy.

Persons Testifying: PRO: Ron Newbry, Washington Manufacturing Services.