FINAL BILL REPORT
SB 5909

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Synopsis as Enacted

Brief Description: Clarifying that multiple qualified buildings are eligible for the high technology retail sales and use tax deferral.

Sponsors: Senators Murray, Kohl-Welles and Zarelli.

Senate Committee on Ways & Means
House Committee on Finance

Background: The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax is levied at a 6.5 percent rate by the state. Currently, local rates levied range from 0.5 percent to 2.4 percent. Sales tax is paid by the purchaser and collected by the seller.

The high technology research and development (R&D) sales and use tax deferral is allowed for the construction of buildings and acquisition of machinery and equipment for projects involving research and development or pilot scale manufacturing. To qualify the firm must be engaged in one of five areas related to high technology: advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology. In addition, an applicant is required to submit an application to the Department of Revenue (DOR) before beginning construction or equipment purchases. The application must include the location of the project, current employment, new employment estimates, estimated wages related to the project, estimated or actual cost data, time schedules for completion and operation, and other information required by the DOR. The deferral may apply to a building that is leased to a qualified high technology business if the owner/lessor agrees to pass on the economic benefit of the deferral to the lessee.

Currently, if a building is used partly for pilot scale manufacturing or R&D and partly for other purposes, the deferral may be apportioned by the costs of construction related to the pilot scale manufacturing or R&D.

Originally, the sales/use tax liability was deferred for three years followed by a five year graduated repayment. Since 1995 the repayment requirement has been waived provided program requirements are maintained for seven years after the facility becomes operational. The statute is currently scheduled to expire on July 1, 2015.

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.

Summary: The act establishes that "multiple qualified buildings" leased to the same person are eligible for the deferral when the structures are located within a five mile radius and the initiation of construction of each building begins within a 60-month period.

Applications must be submitted prior to the construction of each building for an investment project involving multiple qualified buildings.

Shifting of qualified activities is allowed within a building or from one building to another and DOR is allowed to develop rules to calculate apportionment of construction costs across these multiple buildings. The lessee is responsible for payment of any deferred tax that may become due and payable.

The act is retroactive and applies to applications received after June 30, 2007.

Votes on Final Passage:

Senate	47	0
House	96	1

Effective: July 26, 2009