

Community Development & Housing
Committee

HB 1943

Brief Description: Exempting certain manufacturing research and development activities from business and occupation taxation.

Sponsors: Representatives Smith, Clibborn, Kenney and Sells.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none"> • Provides a business and occupation tax exemption on amounts resulting from manufacturing products in Washington that were developed pursuant to a licensing agreement with the University of Washington or Washington State University.

Hearing Date: 2/16/11

Staff: Jennifer Thornton (786-7147).

Background:

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited in the State General Fund. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted. Following are the four major B&O classifications and corresponding rates:

Major B&O Classifications

B&O Classification	Rate
Retailing	.00471
Wholesaling	.00484
Manufacturing	.00484
Service & Other Activities	.018

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The B&O tax does not permit deductions for the costs of doing business, such as payments for raw materials and wages of employees. However, there are many exemptions for specific types of business activities and certain deductions and credits permitted under the B&O tax statutes.

Summary of Bill:

The B&O tax is not due on amounts that result from the first five years a product is manufactured in Washington when the product is manufactured pursuant to a licensing agreement with the University of Washington or Washington State University.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2011.