

SENATE BILL REPORT

SB 5251

As of February 27, 2013

Title: An act relating to exempting certain manufacturing research and development activities from business and occupation taxation.

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

Sponsors: Senators Chase and Shin.

Brief History:

Committee Activity: Trade & Economic Development: 2/12/13, 2/19/13 [DPS-WM].
Ways & Means: 2/25/13.

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5251 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Braun, Chair; Smith, Vice Chair; Chase, Ranking Member; Holmquist Newbry, Schlicher and Shin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

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, without any deduction for the cost of doing business. Revenues are deposited in the state general fund.

Summary of Bill (Recommended Substitute): The B&O tax is not due on the value of products manufactured in Washington during their first five years of production if the product was developed as a result of research and development at the University of Washington or Washington State University, and the product is being manufactured pursuant to a licensing agreement with either school.

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.

EFFECT OF CHANGES MADE BY TRADE & ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute): The emergency clause and start date of July 1, 2013, are removed from the bill.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2013.

Staff Summary of Public Testimony on Original Bill (Trade & Economic Development): PRO: This incentive may be able to create jobs in our state. This is intended to capture the need for employees in manufacturing in the state. Patent activity has generated billions of dollars in benefits to the state.

Persons Testifying (Trade & Economic Development): PRO: Senator Chase, prime sponsor; Amber Carter, Assn. of WA Business.

Staff Summary of Public Testimony (Ways & Means): PRO: This bill acknowledges that we are a sales tax driven state. We will not have recovery until we start creating jobs where pay for employees is enough for them to have disposable income to spend. We have been waiting 30 years for manufacturing to transpire from the research at our industries. Many of the patents are taken to China for manufacturing. They may go to China because our manufacturing tax is prohibitive.

Persons Testifying (Ways & Means): PRO: Senator Chase, prime sponsor.