
Finance Committee

HB 1903

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

Sponsors: Representatives Morris and Hudgins.

Brief Summary of Bill

- Provides a business and occupation tax rate of 0.484 percent for life sciences research, development, and production for biotechnological and medical device purposes.

Hearing Date: 2/14/07

Staff: Rick Peterson (786-7150).

Background:

The business and occupation (B&O) tax is levied for the privilege of doing business in the state. The tax is levied on the value of products, gross proceeds of sales, or gross income of all business activities conducted within the state without deductions for the costs of doing business. There are several different B&O tax rates. The three principal rates are manufacturing/wholesaling (0.484 percent), retailing (0.471 percent), and services (1.5 percent).

The 2006 Legislature adopted a sales tax deferral/exemption for biotechnology product manufacturing and medical device manufacturing. A biotechnology product is any virus, therapeutic serum, antibody, protein, toxin, antitoxin, vaccine, blood, blood component or derivative, allergenic product, or analogous product produced through the application of biotechnology that is used in the prevention, treatment, or cure of diseases or injuries to humans.

A medical device is an instrument, apparatus, implement, machine, contrivance, implant, in vitro reagent, or other similar or related article, including any component, part, or accessory, that is designed or developed. It is required that medical devices be:

- (1) recognized in the national formulary, or the United States pharmacopeia, or any supplement to them;

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- (2) intended for use in the diagnosis of disease, or in the cure, mitigation, treatment, or prevention of disease or other conditions in human beings or other animals; or
- (3) intended to affect the structure or any function of the body of man or other animals, and which does not achieve any of its primary intended purposes through chemical action within or on the body of man or other animals and which is not dependent upon being metabolized for the achievement of any of its principal intended purposes.

Summary of Bill:

A B&O tax rate of 0.484 percent is provided for life sciences research, development, and production for biotechnological and medical device purposes. Life sciences research, development, and production for biotechnological and medical device purposes means advanced and applied research and development and production intended to improve human health, including scientific study of the developing brain and human learning and development, and other areas of scientific research and development vital to the state's economy.

Appropriation: None.

Fiscal Note: Requested on February 10, 2007.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.