

CERTIFICATION OF ENROLLMENT

**SENATE BILL 6573**

Chapter 66, Laws of 1994

53rd Legislature  
1994 Regular Session

MANUFACTURERS--TAX STRUCTURE STUDY

EFFECTIVE DATE: 6/9/94

Passed by the Senate February 11, 1994  
YEAS 43 NAYS 0

JOEL PRITCHARD

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**President of the Senate**

Passed by the House March 4, 1994  
YEAS 95 NAYS 0

BRIAN EBERSOLE

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**Speaker of the  
House of Representatives**

Approved March 23, 1994

MIKE LOWRY

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**Governor of the State of Washington**

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 6573** as passed by the Senate and the House of Representatives on the dates hereon set forth.

MARTY BROWN

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**Secretary**

FILED

March 23, 1994 - 9:22 a.m.

**Secretary of State  
State of Washington**

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**SENATE BILL 6573**

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Passed Legislature - 1994 Regular Session

**State of Washington                      53rd Legislature                      1994 Regular Session**

**By Senators Bauer and Bluechel**

Read first time 01/31/94. Referred to Committee on Ways & Means.

1            AN ACT Relating to the impact of taxes on manufacturing; and  
2 creating new sections.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4            NEW SECTION.    **Sec. 1.** (1) The legislature finds that:

5            (a) Washington's tax structure as it applies to manufacturers is  
6 often cited as a deterrent to economic development;

7            (b) The retail sales tax applies to labor and materials used to  
8 construct new manufacturing facilities and to renovate existing  
9 facilities. The tax also applies to new and replacement manufacturing  
10 equipment and machinery. Because of the broad tax base and because of  
11 the high tax rate, the retail sales tax may inhibit the development of  
12 new manufacturing businesses and expansion of existing businesses,  
13 especially those in capital intensive industries; and

14            (c) The business and occupation tax applies to gross receipts from  
15 engaging in business regardless of whether the business is profitable.  
16 The tax may be more beneficial to established manufacturers, since it  
17 tends to favor high-profit businesses. However, the tax may impose a  
18 heavy burden on new manufacturers that may not have reached their

1 maximum level of operating efficiency, have yet to fully develop their  
2 markets, and as a result are unprofitable.

3 (2) The intent of this act is to require a study to:

4 (a) Analyze how the current tax structure affects manufacturers;

5 (b) Consider alternative methods of taxing manufacturing  
6 investment;

7 (c) Identify the effects of tax incentives for manufacturers; and

8 (d) Recommend to the legislature sales and use tax changes that  
9 might result in more equitable taxation of manufacturers while  
10 preserving a stable source of revenue for funding public services in  
11 the future.

12 NEW SECTION. **Sec. 2.** (1) The department of revenue shall conduct  
13 a study of the current state tax structure as it applies to  
14 manufacturers. The study shall address but is not limited to the  
15 following:

16 (a) What taxes currently apply to manufacturers? What tax  
17 incentives are available to manufacturers?

18 (b) How do taxes affect a manufacturer over the various stages of  
19 its business cycle? How does the tax treat new manufacturers as  
20 compared with established manufacturers?

21 (c) How much does the retail sales tax on construction and  
22 acquisition of machinery and equipment add to the cost of capital?

23 (d) How are manufacturers taxed in other states? What tax  
24 incentives are available to the manufacturing industry in other states?  
25 Does Washington's tax structure place manufacturers at a competitive  
26 disadvantage compared with manufacturers in other states?

27 (e) Do tax incentives for manufacturers stimulate economic  
28 development? Do tax incentives help overcome disparate treatment  
29 between new and established manufacturers? Do tax incentives have an  
30 effect in eliminating a competitive disadvantage suffered by in-state  
31 as opposed to out-of-state manufacturers?

32 (2) To perform this study, the department shall form an advisory  
33 study committee with balanced representation from different segments of  
34 government and the manufacturing industries. The advisory committee  
35 shall include, but need not be limited to, two members from the house  
36 of representatives, two members from the senate, and representatives of  
37 both small and large manufacturing businesses. The advisory committee

1 may also include representatives of local government, and tax policy  
2 experts from the academic, legal, and business communities.

3 (3) The department of revenue shall provide staff for the purpose  
4 of the study.

5 (4) The department of revenue shall present a final report of the  
6 findings of the study to the committees of the legislature that deal  
7 with revenue matters no later than December 31, 1994.

Passed the Senate February 11, 1994.

Passed the House March 4, 1994.

Approved by the Governor March 23, 1994.

Filed in Office of Secretary of State March 23, 1994.