

FINAL BILL REPORT

SHB 2708

C 299 L 96

Synopsis as Enacted

Brief Description: Requiring a warehouse tax study.

Sponsors: House Committee of Finance (originally sponsored by Representatives Sheldon, Schoesler, Hatfield, Van Luven, B. Thomas, Silver, D. Schmidt, Cairnes, Cooke and Johnson).

House Committee on Finance
Senate Committee on Ways & Means

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total rate is between 7 percent and 8.2 percent, depending on the location.

Sales tax applies when items are purchased at retail in the state. Sales tax is paid by the purchaser and collected by the seller. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out of state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used.

Generally, businesses pay sales and use tax on machinery, equipment, and construction of industrial facilities. However, sales and use tax exemptions are available for certain investments.

Buildings, machinery and equipment, and installation labor are exempt on manufacturing, research and development, and computer-related businesses in distressed areas. An exemption is available for new or expanded facilities and machinery and equipment for research and development and pilot-scale manufacturing businesses involved in biotechnology, advanced computing, electronic device technology, advanced materials, and environmental technology. The manufacturing sales and use tax exemption is available statewide for new and replacement machinery and equipment used directly in a manufacturing operation, including installation labor and services.

These exemptions do not include buildings and machinery and equipment used in a warehouse facility.

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 costs of doing business. The B&O tax is a multi-stage tax. The B&O tax generally applies at the wholesale and retail levels. There are several different B&O tax rates. The principal rates are

Manufacturing, wholesaling, & extracting-0.506 percent

Retailing-0.471 percent

Services: