

SENATE BILL REPORT

HB 2484

As Reported By Senate Committee On:
Ways & Means, March 7, 1996

Title: An act relating to sales and use tax exemptions for manufacturing machinery and equipment.

Brief Description: Allowing sales and use tax exemptions for manufacturing machinery and equipment used for maintenance, improvement, and research and development.

Sponsors: Representatives Van Luven, Sheldon, Radcliff, Hatfield, Sherstad, D. Schmidt, Cooke, Conway, Goldsmith, Silver, Kessler and Johnson.

Brief History:

Committee Activity: Ways & Means: 3/7/96 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Hargrove, Hochstatter, Johnson, Kohl, Long, McDonald, Moyer, Quigley, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: David Schumacher (786-7715)

Background: The sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services. Materials and labor used to alter or improve real or personal property are subject to the tax. Exempt from tax are purchases for resale and purchases of components and ingredients that become part of another product for sale.

SB 5201, passed in the 1995 session, exempts from sales and use taxes, new and replacement machinery and equipment used directly in the manufacturing process, including installation labor.

Research and development equipment is not exempt under current law unless it falls under either the "high technology" program or the "distressed area" program. The high technology deferral program is available statewide to businesses involved in "high-tech" research and development in specific industries. These businesses may defer sales and use taxes on buildings, machinery and equipment, and installation labor. Research and development businesses in "distressed areas" may defer sales and use taxes on buildings, machinery and equipment, and installation labor. Each of these deferrals become exemptions if the specific conditions of the program are met.

Summary of Amended Bill: The current sales and use tax exemption on machinery and equipment for manufacturers is expanded to include machinery and equipment used in research and development by manufacturers.

An exemption from sales and use tax is provided on materials used in the design and development of aircraft parts, auxiliary aircraft equipment or aircraft modification for businesses with annual gross sales of less than \$20 million. The exemption is capped at \$100,000 per taxpayer per year.

Amended Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1997.