

HB 2970

Bill Analysis

February 1, 2000

Brief Description: Requiring a fiscal review and a performance evaluation of tax exemptions for manufacturers.

Bill Sponsors: Representatives Thomas, Dunshee and Conway.

Brief Summary of Bill

- Requires the Joint Legislative Audit and Review Committee to conduct a fiscal review and a performance evaluation of the manufacturing machinery and equipment sales and use tax exemption.
- Requires taxpayers using the manufacturing machinery and equipment sales and use tax exemption to report the amount to the Department of Revenue.

Staff: Rick Peterson, 786-7150.

Background:

In 1995, the Legislature enacted a sales and use tax exemption for machinery and equipment used directly in a manufacturing operation. The exemption was expanded in 1996 to include repairs and replacement parts for manufacturing machinery and equipment, and machinery and equipment used directly in a research and development operation by a manufacturer.

A purchaser of manufacturing machinery and equipment must provide the seller with an exemption certificate. Until June 1998, the purchaser had to provide a copy of the exemption certificate or a summary of exempt purchases to the Department of Revenue.

The 1995 legislation directed the legislative fiscal committees to report to the Legislature on the economic impacts of the exemption.

Summary of Bill:

The Joint Legislative Audit and Review Committee is directed to conduct a fiscal review and a performance evaluation of the manufacturing machinery and equipment sales and use tax exemption. The Committee shall submit the fiscal review and performance evaluation to the House Finance Committee and the Senate Ways and Means Committee by December 1, 2005.

Taxpayers using the manufacturing machinery and equipment sales and use tax exemption are required to report the total amount of exemption at the time of filing their regular excise tax return.

Appropriation: None.

Fiscal Note: Requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.