

SENATE BILL REPORT

SB 5260

As Reported by Senate Committee On:
Ways & Means, April 3, 2017

Title: An act relating to the continuation of tax preferences supporting the solar silicon manufacturing industry.

Brief Description: Concerning the continuation of tax preferences supporting the solar silicon manufacturing industry.

Sponsors: Senator Warnick.

Brief History:

Committee Activity: Ways & Means: 3/30/17, 4/03/17 [DPS, DNP, w/oRec].

Brief Summary of Substitute Bill

- Extends the following two tax preferences that support the solar silicon manufacturing industry: (1) the expiration date of a preferential business and occupation tax rate for solar energy and silicon manufacturing from 2017 to 2027, and (2) the expiration date of a sales and use tax exemption for gases and chemicals used in the production of semiconductor materials from 2018 to 2027.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5260 be substituted therefor, and the substitute bill do pass.

Signed by Senators Braun, Chair; Brown, Vice Chair; Rossi, Vice Chair; Honeyford, Vice Chair, Capital Budget ; Bailey, Becker, Fain, Keiser, Miloscia, Padden, Rivers, Schoesler, Warnick and Zeiger.

Minority Report: Do not pass.

Signed by Senators Rolfes, Assistant Ranking Minority Member, Operating Budget; Hasegawa.

Minority Report: That it be referred without recommendation.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Signed by Senators Ranker, Ranking Minority Member; Frockt, Assistant Ranking Minority Member, Capital Budget; Billig, Carlyle, Conway, Darneille and Pedersen.

Staff: Carrie Graf (786-7708)

Background: Business and Occupation (B&O) Tax. Washington's major business tax is the 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 cost of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted. The general manufacturing B&O rate is 0.484 percent. Current law authorizes multiple exemptions, deductions, and credits to reduce the B&O tax liability for specific taxpayers and business industries.

Retail Sales Taxes. Retail sales taxes are imposed on retail sales of most articles of tangible personal property. A retail sale is a sale to the final consumer or end user of the property. If retail sales taxes were not collected when the consumer purchased the property, then the consumer owes use tax on the value of the property. The state sales and use tax rate is 6.5 percent. Most cities and all counties also levy retail sales and use taxes, with rates varying from 0.5 percent to 3 percent.

Preferential B&O Manufacturing Rate for Solar Energy and Silicon Product Manufacturers. Washington tax law provides a preferential B&O manufacturing rate of 0.275 percent on the manufacture of solar energy systems using photovoltaic modules or stirling converters, manufacturing solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers to be used in the components of such systems. The exemption is set to expire June 30, 2017.

Sales Tax Exemption for Gases and Chemicals Used in the Production of Semiconductor Materials. Washington tax law provides a sales tax exemption for sales of gases and chemicals used by a manufacturer or processor for hire in the production of semiconductor materials. The exemption is set to expire December 1, 2018.

Summary of Bill (First Substitute): Both the preferential B&O manufacturing rate of 0.275 percent for manufacturers of solar energy and silicon products and the sales tax exemption for gases and chemicals used in the production of semiconductor materials are extended to July 1, 2027.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on June 30, 2017.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill creates jobs, protects the

environment and adopts the recommendation of JLARC. JLARC recommends that the legislature provide targets in the tax preferences. The bill provides these targets. The bill supports the growth of the clean energy industry and family wage jobs in the state of Washington.

Persons Testifying: PRO: Senator Judy Warnick, Prime Sponsor; elyette weinstein, WA League of Women Voters.

Persons Signed In To Testify But Not Testifying: No one.