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HOUSE BILL 2970

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State of Washington                      56th Legislature                      2000 Regular Session

By Representatives Thomas, Dunshee and Conway

Read first time 01/25/2000. Referred to Committee on Finance.

1            AN ACT Relating to requiring a fiscal review and a performance  
2 evaluation of tax exemptions for manufacturers; adding a new section to  
3 chapter 82.32 RCW; and creating a new section.

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

5            NEW SECTION.    **Sec. 1.** (1) The joint legislative audit and review  
6 committee shall conduct a fiscal review and a performance evaluation of  
7 the sales and use tax exemptions under RCW 82.08.02565 and 82.12.02565.

8            (2) The fiscal review shall examine, but not be limited to: (a)  
9 Estimates of amounts qualifying for exemption and changes in these  
10 amounts over time; (b) a comparison of the amounts qualifying for  
11 exemption with the tax revenue available to state and local  
12 governments; (c) estimates of the cost of administering the exemptions;  
13 and (d) estimates of the level of tax noncompliance associated with the  
14 exemptions.

15            (3) The performance evaluation shall examine, but not be limited  
16 to: (a) The effectiveness of the exemption in expanding the level of  
17 investment in manufacturing machinery and equipment in Washington  
18 relative to other states; (b) the effectiveness of the exemption in  
19 creating manufacturing jobs in Washington relative to other states; and

1 (c) the effectiveness of the exemption in improving wage rates for  
2 manufacturing jobs in Washington relative to other states. These  
3 performance criteria shall be measured in comparison to the economic  
4 activity that would have occurred in the absence of the exemption.

5 (4) The committee's report shall also include findings as to the  
6 increases in population, economic activity, government revenue, and  
7 demand for government services, if any, resulting from the exemptions.

8 (5) The department of revenue and the employment security  
9 department shall provide to the committee such information as the  
10 committee determines is necessary to accomplish the requirements of  
11 this section, including but not limited to confidential tax and  
12 employment data.

13 (6) The fiscal review and performance evaluation shall be submitted  
14 by December 1, 2005, to the house of representatives committee on  
15 finance and the senate committee on ways and means.

16 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.32 RCW  
17 to read as follows:

18 At the time of filing a return under RCW 82.32.045, a taxpayer  
19 shall report the total amount of machinery, equipment, labor, and  
20 services for which exemption is claimed under RCW 82.08.02565 and  
21 82.12.02565 during the reporting period. The report shall be made on  
22 forms prescribed by the department. The department shall disallow any  
23 exemption under RCW 82.08.02565 and 82.12.02565 for which amounts are  
24 not correctly reported under this section. The department may permit  
25 a taxpayer to file supplemental or corrected reports as the department  
26 deems are reasonable to permit substantial compliance with this  
27 section.

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