

SENATE BILL REPORT

SB 6462

As Reported By Senate Committee On:
International Trade & Economic Development, January 31, 2006

Title: An act relating to biotechnology product and medical device manufacturing tax incentives.

Brief Description: Providing biotechnology product and medical device manufacturing tax incentives.

Sponsors: Senators Shin, Berkey, Rasmussen, Jacobsen, Schmidt, Swecker, Honeyford, Pflug and Sheldon.

Brief History:

Committee Activity: International Trade & Economic Development: 1/24/06, 1/31/06 [DP-WM].

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Shin, Chair; Sheldon, Vice Chair; Pflug, Ranking Minority Member; Doumit, Eide, Roach and Zarelli.

Staff: Jack Brummel (786-7428)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. The use tax is imposed at the same rate as the retail sales tax on items used in Washington that were not subject to the sales tax. Sales and use taxes are imposed by the state, counties, and cities. There are a number of sales and use tax exemptions, including machinery and equipment directly used in manufacturing.

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. Although there are several different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for manufacturing, wholesaling, and extracting, and 1.5 percent for service activity. Revenues from the tax are deposited in the state General Fund.

Summary of Bill: State and local sales and use taxes are deferred for investments in construction or renovation of structure, or machinery and equipment, used for biotechnology product or medical device manufacturing. The deferred taxes need not be repaid unless the property is used for ineligible purposes.

The B&O tax rate is set at 0.138 percent for businesses engaged in the manufacture and sales of biotechnology products or medical devices. For such businesses, a credit is allowed for any manufacturing or gross receipts taxes previously paid.

For businesses engaged in biotechnology product or medical device manufacturing, a credit of up to 20% of approved training expenditures is allowed against the B&O tax. Credits may be carried forward until used.

Persons claiming a tax incentive under the bill must file an annual report with the Department of Revenue. The report must include the amount of tax incentive claimed or used, and information on employment positions, wages, and employer provided health and retirement benefits. The only information collected by the department that may be disclosed is the amount of the tax incentive claimed or used. Failure to submit a survey in any year will result in a forfeit of the tax incentive for that year. The department is to report on the results of the tax incentives in the bill by December 1, 2009, and December 1, 2015.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: This will help grow the commercial aspects of the biotech and medical device industry. We need to take action to reverse the slide in rank of the state's bio-tech industry and increase the competitiveness of manufacturing in life sciences, bio-tech and medical devices. This is the next step in keeping the industry competitive.

Testimony Against: None.

Who Testified: PRO: Aaron Reardon, Snohomish Co. Executive; Bill McSherry, Puget Sound Regional Council; Beborah Knutson, Snohomish Co. EDC; Steve Collins, UW, Bothell; Tom Clement, Pathway medical; Dave Carlson, Berlex; Patti McKinnell Davis, WA Biotechnology-Biomedical Assoc.; Rober Mackey, Pacific Biotech Alliance.