

SENATE BILL REPORT

SB 5429

As of February 13, 2013

Title: An act relating to increasing accountability for the tax preferences for manufacturing machinery and equipment by requiring a net benefit to the state and deferring sales and use tax.

Brief Description: Increasing accountability for the tax preferences for manufacturing machinery and equipment by requiring a net benefit to the state and deferring sales and use tax.

Sponsors: Senators Chase, Hasegawa, Conway, Nelson, Kohl-Welles, Keiser and Kline.

Brief History:

Committee Activity: Trade & Economic Development: 2/14/13.

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Staff: Jack Brummel (786-7428)

Background: A retail sales and use tax exemption applies to new or replacement machinery and equipment (M&E) used in a manufacturing or research and development operation by a manufacturer or processor for hire. The exemption also applies to related testing and services, such as installation or repair services, rendered with respect to M&E.

Summary of Bill: The current M&E exemption is replaced with a 20-year sales and use tax deferral. The deferral is available only when a net benefit to the state is demonstrated. Net benefit to the state is calculated by taking a percentage of the wages for each job created or retained by the applicant for deferral, adding that to the increased taxes paid by the applicant, and subtracting the annual amount saved through the deferral.

The Department of Revenue must issue a sales and use tax deferral certificate to taxpayers that demonstrate a net benefit and must keep a running total of all deferrals granted. Applications must be ruled on within 60 days. Recipients of a deferral must file annual reports to the department.

Deferred taxes must be repaid only if the recipient fails to demonstrate a net benefit or if the M&E is sold. Interest may not be charged on deferred taxes but penalties and interest may be imposed for delinquent payments.

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.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2013.