
**Rural Development, Agriculture, &
Natural Resources Committee**

SB 5467

Brief Description: Extending the tax preferences in RCW 82.04.260(12).

Sponsors: Senators Liias, Short, Takko, Padden, Sheldon, Hobbs, Warnick, Wellman and Van De Wege.

Brief Summary of Bill

- Adds mass timber products to the list of timber products that receive the preferential timber products business and occupation tax.

Hearing Date: 3/26/19

Staff: Robert Hatfield (786-7117).

Background:

Business and Occupation Tax.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of all taxable business activities conducted within the state, unless otherwise exempt. There is no deduction for the costs of doing business. Revenues are deposited into the State General Fund. 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. Business and occupation taxes are collected by the Department of Revenue.

Major B&O tax rates are: 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services and for activities not classified elsewhere.

Several preferential rates also apply to specific business activities. Extraction, production, and wholesaling of timber and wood products are subject to a preferential B&O tax rate of 0.2904

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percent. The preferential timber and wood products B&O tax rate is currently set to expire June 30, 2024.

State Building Code.

The State Building Code (Code) establishes minimum performance standards and requirements for construction and construction materials in the state, consistent with accepted standards of engineering, fire, and life safety. The Code comprises a number of model codes and standards, developed and published by international and national organizations, which are adopted by reference in the State Building Code Act.

Mass timber products are defined in the Code as a type of building component or system that uses large, panelized wood construction, such as cross-laminated timber, glue-laminated timber, and laminated strand timber.

Tax Preference Performance Statement and Expiration Date.

All new tax preference legislation must include a tax preference performance statement, unless exempted. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference. New tax preferences expire 10 years after the effective date of the tax preference, unless otherwise provided.

Summary of Bill:

Mass timber products, as defined in the State Building Code, are included in the list of timber products that receive the preferential timber products business and occupation (B&O) tax rate.

The preferential timber products B&O tax rate may not be construed to affect the taxation of certain other specified activities.

The inclusion of mass timber products in the list of timber products that receive the preferential timber products B&O tax is exempted from requirements regarding a tax preference statement and an expiration date.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on October 1, 2019.