

SENATE BILL REPORT

SB 5467

As Reported by Senate Committee On:
Agriculture, Water, Natural Resources & Parks, February 21, 2019

Title: An act relating to extending the tax preferences in RCW 82.04.260(12).

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 History:

Committee Activity: Agriculture, Water, Natural Resources & Parks: 2/19/19, 2/21/19 [DP].

Brief Summary of Bill

- Adds mass timber products to the list of timber products qualifying for the preferential timber products manufacturing and wholesaling business and occupation tax rate.

SENATE COMMITTEE ON AGRICULTURE, WATER, NATURAL RESOURCES & PARKS

Majority Report: Do pass.

Signed by Senators Van De Wege, Chair; Salomon, Vice Chair; Warnick, Ranking Member; Honeyford, McCoy, Rolfes and Short.

Staff: Jeff Olsen (786-7428)

Background: 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. There are several rate categories, and 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 B&O tax rates also apply to specific business activities. Extraction, production, and wholesaling of timber and wood products are subject to a preferential B&O

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tax rate of 0.2904 percent. The preferential timber and wood products B&O tax rate is currently set to expire June 30, 2024. On July 1, 2007, a 0.052 percent surcharge was imposed on taxpayers using the reduced tax rate. The proceeds of the surcharge are placed in a dedicated account and are used for implementation of the state's forests and fish report.

The State Building Code (Code) establishes minimum performance standards and requirements for construction and construction materials in the state. The Code comprises a number of model codes and standards 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.

Summary of Bill: Mass timber products, as defined in the Code, are included in the list of timber products that qualify for the preferential B&O tax rate of 0.2904 percent for manufacturing or wholesaling. 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.

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

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

Staff Summary of Public Testimony: PRO: When the tax preference for timber products was enacted approximately ten years ago, mass timber products did not exist. These products have been approved by the State Building Code Council and are available for use in the construction of tall buildings. Washington is well-positioned to become a national leader in mass timber products, resulting in high skilled jobs for our economy. This is a simple fix allowing this product to qualify for an existing preferential tax rate.

Persons Testifying: PRO: Senator Marko Liias, Prime Sponsor; Matt Ojala, Forterra; John Ehrenreich, Washington Forest Protection Association.

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