

SENATE BILL REPORT

SB 5438

As of February 4, 2003

Title: An act relating to sales and use tax exemptions for new employment positions.

Brief Description: Providing sales and use tax exemptions on construction of new manufacturing facilities that increase employment of Washington citizens.

Sponsors: Senators Benton, Carlson, West, Mulliken, Schmidt, Esser and Oke.

Brief History:

Committee Activity: Economic Development: 2/5/03.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

Staff: Jack Brummel (786-7428)

Background: A sales tax is imposed on the retail sale of most items of tangible personal property and some services. A use tax is imposed on the use of an item in Washington, when the acquisition of the item or service has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 and 8.9 percent, depending on location.

Major items exempt from sales and use tax include most food items, prescription drugs, motor vehicle fuel, utility services, professional services, and items that become a component of another product for sale. Since 1995, machinery and equipment sold to a manufacturer or processor that are directly used in manufacturing or research and development have been exempt from sales and use taxes.

Summary of Bill: Sales and use taxes do not apply to the sale and use of goods used in construction of, machinery and equipment that become a part of, or services and labor performed in respect to a qualified building. A qualified building is either a new structure or an expanded or renovated existing structure that is used for manufacturing and research and development activities. Applicants for a sales and use tax exemption certificate must provide current and anticipated information on the building's construction and related employment. At least 15 permanent full-time employment positions must be created per \$1 million in investment.

Appropriation: None.

Fiscal Note: Requested on January 28, 2003.

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