Finance Committee

HB 2982

Brief Description: Providing tax incentives for manufacturers of electronic testing and measurement devices.

Sponsors: Representatives Liias, McCoy, Sells and Kenney; by request of Washington State Department of Commerce.

Brief Summary of Bill

- Reduces the business and occupation (B&O) tax rate for manufacturers of electronic testing and measurement devices from 0.484 to 0.2904 percent.

- Provides a B&O tax credit for property taxes paid on land, buildings, machinery, and equipment used primarily for the manufacturing of electronic testing or measurement devices.

- Provides businesses engaging in the manufacture of electronic testing and measurement devices a B&O tax credit of $4,000 for each new job created subject to certain conditions.

Hearing Date: 1/29/10

Staff: Susan Howson (786-7142).

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 business activities conducted within the state without any deduction for the costs of doing business. Revenues are deposited in the State General Fund. There are several different B&O tax rates. The main rates are: 0.484 percent for manufacturing/ wholesaling; 0.471 percent for retailing; and 1.5 percent for professional and personal services and activities not classified elsewhere. Several lower rates also apply to specific business activities.

B&O tax credits for new job creation are currently provided for: manufacturing, research and

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development, or computer service firms in rural counties or community empowerment zones (CEZs); international services jobs created after July 1, 1998 in a CEZ or in a city over 80,000 that designates a CEZ-like area; and for manufacturers of semi-conductor materials that meet certain conditions.

Summary of Bill:

The business and occupation (B&O) tax rate on manufacturers of electronic testing or measurement devices is reduced from 0.484 to 0.2904 percent through 2020. This applies to businesses whose value of electronic testing and measuring devices manufactured in Washington exceeds $300 million in the prior calendar year.

Businesses are allowed a B&O tax credit for property taxes paid on land, buildings, machinery, and equipment used primarily for the manufacturing of electronic testing or measurement devices. The total credit is limited to $400,000 in a calendar year. No credit may be claimed for property taxes due and payable before July 1, 2010.

Businesses engaging in the manufacture of electronic testing and manufacturing devices are entitled to a B&O tax credit for each new permanent, full-time job created on or after July 1, 2010. To qualify, annual wages and benefits for new positions created must exceed $50,000 and each new position must be filled for at least 12 consecutive months. Additionally, businesses claiming this credit must increase employment by at least 100 new positions between July 1, 2010 and July 1, 2011 in areas not covered by the rural county job credit. The amount of the credit is $4,000 for each new job created and the credit is earned when the job is filled. New jobs filled by existing employees are eligible for the credit only if the position vacated by the existing employee is filled by a new hire. Credits are available on a first in-time basis. The amount of the credit is capped at $500,000 annually for all businesses and each business is limited to a lifetime cap of $500,000.

Businesses using these tax preferences must file annual reports with the Department of Revenue detailing employment, wages, and health and retirement benefits per job at the manufacturing site.

This act expires July 1, 2020.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2010.