

# SENATE BILL REPORT

## SB 6632

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As of February 1, 2010

**Title:** An act relating to providing tax incentives for manufacturers of electronic testing and measurement devices.

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

**Sponsors:** Senators Shin, Schoesler, Morton, Haugen, Becker and Kilmer; by request of Washington State Department of Commerce.

**Brief History:**

**Committee Activity:** Economic Development, Trade & Innovation: 1/27/10.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

**Staff:** Karen Campbell (786-7448)

**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.

**Summary of Bill:** A new section is created which allows manufactures of electronic testing and measurement devices located in a non-rural county without a community empowerment zone to lower their B&O tax rate from 0.484 to 0.2904 percent. To be eligible for this reduction, the value of the manufacturer's products must exceed \$300 million per year.

A new section is created providing an annual B&O tax credit for property taxes paid on the manufacturing facility and is limited to \$400,000 in a calendar year. No credit may be claimed for property taxes under this section before July 1, 2010.

A new section is created that allows business engaging in the manufacture of electronic testing and measurement devices a \$4,000 credit against the B&O tax for each new qualified employment position with annual wages and benefits greater than \$50,000. The credit applies to employment position created after July 1, 2010 and filled for at least 12 consecutive months. A qualified employment position means a permanent, full-time employment position (of at least 35 hours per week) that did not previously exist. In order to

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claim this credit, businesses must increase employment in an eligible area by at least 100 new positions between July 1, 2010, and July 1, 2011. No eligible business may claim more than \$500,000 of total credit under this section.

Business must make an annual report to the Department of Revenue detailing employment, wages, and employer-provided health and retirement benefits per job at the manufacturing site.

**Appropriation:** None.

**Fiscal Note:** Requested on January 26, 2010.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: Manufacturing companies are struggling to retain jobs in this state. Tax structures for these employers should be improved to retain them in the area. Manufacturing companies will receive the message that Washington State is concerned about the needs of companies doing business in this state to reduce costs and remain competitive.

**Persons Testifying:** PRO: Rogers Weed, Department of Commerce; Matt Smith, Economic Development Council of Snohomish County; Doug Levy, City of Everett.