

SENATE BILL REPORT

SB 5701

As Reported by Senate Committee On:
Trade & Economic Development, February 18, 2015

Title: An act relating to creating a business and occupation tax credit for advanced composite manufacturing and wholesaling.

Brief Description: Creating a business and occupation tax credit for advanced composite manufacturing and wholesaling.

Sponsors: Senators Warnick, Hargrove and Conway; by request of Office of Financial Management.

Brief History:

Committee Activity: Trade & Economic Development: 2/18/15 [DP-WM, DNP].

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Brown, Chair; Braun, Vice Chair; Angel and Ericksen.

Minority Report: Do not pass.
Signed by Senators Chase, Ranking Minority Member; Frockt and McCoy.

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 business activities conducted within the state, without any deduction for the costs of doing business. Businesses must pay B&O tax even though they may not have any profits or may be operating at a loss. A business may have more than one B&O tax rate, depending on the types of activities conducted. Major tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services, and activities not classified elsewhere. However, there are many exemptions for specific types of business activities and certain deductions and credits permitted under the B&O tax statutes.

Summary of Bill: Manufacturers and wholesalers of carbon fiber and carbon fiber composites are eligible for a B&O tax credit equal to 40 percent of their B&O taxes due. The credit is limited to \$500,000 annually per person, with a statewide cap on the total amount of

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credits of \$4 million annually. The credit may only be claimed on returns filed electronically with the Department of Revenue, and are available on a first-in-time basis. A tax preference performance statement specifies the credit is intended to improve industry competitiveness and to create and retain jobs, and the credit expires July 1, 2020.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2015.

Staff Summary of Public Testimony: PRO: Washington is home to a growing supply chain for carbon fiber, which is currently being used in aerospace and automobile parts manufacturing. Carbon fiber is stronger and lighter than steel and may be used in a wide range of products. There is great competition to attract this industry, with average annual wages in the composite industry of \$60,000–\$80,000 and Washington wants to encourage manufacturers and suppliers to locate here.

Persons Testifying: PRO: Kelly Ogilvie, Governor's Office.