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**Finance Committee**

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**SSB 6874**

**Brief Description:** Providing tax incentives for persons who extract, manufacture, or process timber.

**Sponsors:** Senators Doumit, Zarelli, Hargrove, Morton, Sheldon and Rasmussen.

**Brief Summary of Bill**

- Reduces the business and occupation tax rate from 0.484 percent to 0.2904 percent for manufacturing and wholesaling wood products.

**Hearing Date:**

**Staff:** Rick Peterson (786-7150).

**Background:**

The business & occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business. Although there are 9 different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for manufacturing and wholesaling, and 1.5 percent for service activity.

Preferential B&O tax rates have been provided by the Legislature in recent years for aerospace and semiconductor microchips as tax incentives.

**Summary of Bill:**

A B&O tax rate of 0.2904 percent is provided for extracting or extracting for hire timber or manufacturing or processing for hire timber and timber products into pulp, paper, lumber, and engineered wood products, and to sales by these persons of the timber and wood products at wholesale. The preferential tax rate expires July 1, 2024.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2006.