SENATE BILL REPORT
SB 6613

As of January 22, 2010

Title: An act relating to modifying the sales and use tax deferral program for investment projects in rural counties.

Brief Description: Modifying the sales and use tax deferral program for investment projects in rural counties.

Sponsors: Senators Kastama, Shin, Kilmer and Sheldon; by request of Governor Gregoire.

Brief History:
Committee Activity: Economic Development, Trade & Innovation: 1/25/10.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Karen Campbell (786-7448)

Background: The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. Sales tax is paid by the purchaser and collected by the seller. The use tax is imposed on items used in the state that were not subject to the retail sales tax and includes purchases made in other states and from sellers who do not collect Washington State sales tax.

The rural county and distressed area tax deferral as originally enacted in 1985 provided a deferral of sales and use taxes due on plant construction and expansion, or on acquisition of equipment by firms that engaged in manufacturing, research and development, or computer programming activities in counties with high rates of unemployment. In 1999 the program was changed so that the incentive became available in any rural county and in counties with community empowerment zones. A community empowerment zone is a geographic area, designated by the Commerce Department (department), characterized by lack of employment opportunities, below average median income level, lack of affordable housing, deteriorating infrastructure, and a lack of facilities for community services, job training, and education. This tax deferral program is scheduled to expire on July 1, 2010.

Summary of Bill: Beginning July 1, 2010, the manufacturing sales and use tax deferral program is changed to include only distressed counties. A distressed county means a county that has an unemployment rate which is at least 20 percent above the state average for three years. The department is required to establish a list of distressed counties, which is effective

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for 24 months. Deferral recipients must complete annual surveys which the Department of Revenue will use to complete annual statistical reports to the Legislature and a final outcomes report, due by December 1, 2019.

Appropriation: None.

Fiscal Note: Requested on January 21, 2010.

Committee/Commission/Task Force Created: No.

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