

HOUSE BILL REPORT

HB 2337

As Passed Legislature

Title: An act relating to distressed county designation.

Brief Description: Defining distressed county designation.

Sponsors: Representatives Schoesler, Sheldon, Foreman, Grant, Sheahan, Mastin, Honeyford, Basich, Johnson and Mulliken.

Brief History:

Committee Activity:

Trade & Economic Development: 1/24/96, 1/31/96 [DP].

Floor Activity:

Passed House: 2/7/96, 95-2.

Senate Amended.

House Concurred.

Passed Legislature.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 8 members: Representatives Van Luven, Chairman; Radcliff, Vice Chairman; Sheldon, Ranking Minority Member; Veloria, Assistant Ranking Minority Member; Backlund; Hatfield; Mason and Valle.

Minority Report: Do not pass. Signed by 3 members: Representatives D. Schmidt, Vice Chairman; Hickel and Sherstad.

Staff: Kenny Pittman (786-7392).

Background: The state of Washington has created a series of financial and technical assistance programs to assist distressed areas in responding to high unemployment rates. These programs provide direct financial and technical assistance to the area to create or retain jobs and to diversify the local economy. These programs include (1) loans or grants under the Community Economic Revitalization Board (CERB) program; (2) loans under the Development Loan Fund (DLF) program; (3) a B&O tax credit program for job creation; (4) a tax deferral program; and (5) technical assistance through various state agencies.

A "distressed" area can be either an entire county or specific areas within a county. A county can be designated distressed if (1) it has an unemployment rate 20 percent higher than the state unemployment rate for a three-year period; or (2) it is designated as a rural natural resources impact area. An area within a county can be designated distressed if (1) it has experienced a sudden and severe or long-term loss of employment; (2) it has a minimum population of 5,000 and has at least 70 percent of its households with incomes below 80 percent of the county median income; (3) it has a metropolitan area with an average unemployment rate that exceeds the average state unemployment rate by 20 percent; or (4) it is a designated state-approved community empowerment zone.

A sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services.

In 1995 the Legislature enacted a sales and use tax exemption on machinery and equipment used directly in a manufacturing operation, including installation labor and services. Machinery and equipment means industrial fixtures, devices, and support facilities and includes pollution control equipment. The manufacturing operation begins at the point at which raw materials enter the manufacturing site and ends at the point at which the finished product leaves the manufacturing site.

Summary of Bill: The definition of a distressed area or distressed county is expanded to include counties with a median household income that is less than 75 percent of the state median household income for the previous three years. The time limit for applications for loans from the development loan fund is removed for metropolitan distressed areas and is extended from July 1, 1993 to July 1, 1997 for rural natural resources impact areas.

The sales and use tax exemption on machinery and equipment used directly in a manufacturing operation is expanded to include the manufacturing of building trusses in towns with a population of less than 1,200 that are in timber impact areas in those counties that are not distressed areas. The end point of the manufacturing operation for building trusses is the point at which the finished product is delivered to the building site. This provision applies to manufacturing machinery and equipment acquired after June 30, 1995.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Section 1 takes effect June 30, 1997. The remainder of the bill takes effect ninety days after adjournment of session in which bill is passed.

Testimony For: The loss of family farms has led to a reduction in the number of agricultural jobs over the last 10 years. The financial and technical assistance available through the distressed area programs will provide the necessary tools to respond to the problems. The creation of new jobs or retention of existing jobs is the number one priority.

Testimony Against: None.

Testified: (Pro) Representative Schoesler, prime sponsor; Representative Mastin; and Randy Bostrum, Port of Whitman County.