FINAL BILL REPORT
HB 2337

PARTIAL VETO
C 290 L 96
Synopsis as Enacted

Brief Description: Defining distressed county designation.

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

House Committee on Trade & Economic Development
Senate Committee on Labor, Commerce & Trade
Senate Committee on Ways & Means

Background: Washington has several financial and technical assistance programs to assist distressed areas in responding to high unemployment rates. The programs provide distressed areas with direct financial and technical assistance to create or retain jobs and to diversify the local economy. The programs include (1) loans or grants under the Community Economic Revitalization Board program; (2) loans under the Development Loan Fund program; (3) a business and occupation tax credit program for job creation; (4) a sales and use tax deferral program; and (5) technical assistance through various state agencies.

A "distressed area" may be either an entire county or specific areas within a county. An entire county may 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 may 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 at least 70 percent of its households have incomes below 80 percent of the county median income; (3) it is 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 for 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: 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 filing 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. The business must be located in towns with a population of less than 1,200 that are in timber impact areas in 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.

Partial Veto Summary: The Governor vetoed the section that would have extended the sales and use tax exemption to purchases of vehicles used in timber impact areas to deliver trusses to a construction site. The exemption would have applied retroactively to purchases made after June 30, 1995.

Votes on Final Passage:

House	95	2	
Senate	48	1	(Senate amended)
House	83	15	(House concurred)

Effective: June 6, 1996
June 30, 1997 (Section 1)
March 30, 1996 (Section 6)