
HOUSE BILL 2357

State of Washington

54th Legislature

1996 Regular Session

By Representatives Sheldon, Buck, Conway, Pennington, Veloria, Brumsickle, Chappell, Stevens, Grant, Skinner, Kessler, Campbell, Boldt, B. Thomas, Hatfield, Quall, Basich, Dickerson, Chopp, Hargrove, Mason, Costa, Morris, McMahan, Linville, Benton and Silver

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1 AN ACT Relating to incentives to businesses in distressed areas;
2 amending RCW 82.60.010, 82.60.020, 82.62.010, and 82.62.030; adding a
3 new section to chapter 82.04 RCW; and providing an effective date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 82.60.010 and 1985 c 232 s 1 are each amended to read
6 as follows:

7 The legislature finds that there are several areas in the state
8 that are characterized by very high levels of unemployment and poverty.
9 The (~~legislative~~[legislature]) legislature further finds that
10 economic stagnation is the primary cause of this high unemployment rate
11 and poverty; that new state policies are necessary in order to promote
12 economic stimulation and new employment opportunities in these
13 distressed areas; and that policies providing incentives for economic
14 growth in these distressed areas are essential. For these reasons, the
15 legislature hereby establishes a tax deferral program to be effective
16 solely in distressed areas and under circumstances where the deferred
17 tax payments are for investments or costs that result in the creation
18 of a specified number of jobs. The legislature declares that this
19 limited program serves the vital public purpose of creating employment

1 opportunities and reducing poverty in the distressed areas of the
2 state.

3 **Sec. 2.** RCW 82.60.020 and 1995 1st sp.s. c 3 s 5 are each amended
4 to read as follows:

5 Unless the context clearly requires otherwise, the definitions in
6 this section apply throughout this chapter.

7 (1) "Applicant" means a person applying for a tax deferral under
8 this chapter.

9 (2) "Department" means the department of revenue.

10 (3) "Eligible area" means: (a) A county in which the average level
11 of unemployment for the three years before the year in which an
12 application is filed under this chapter exceeds the average state
13 unemployment for those years by twenty percent; (b) a metropolitan
14 statistical area, as defined by the office of federal statistical
15 policy and standards, United States department of commerce, in which
16 the average level of unemployment for the calendar year immediately
17 preceding the year in which an application is filed under this chapter
18 exceeds the average state unemployment for such calendar year by twenty
19 percent; (c) a designated community empowerment zone approved under RCW
20 43.63A.700 or a county containing such a community empowerment zone;
21 (d) a town with a population of less than twelve hundred persons in
22 those counties that are not covered under (a) of this subsection that
23 are timber impact areas as defined in RCW 43.31.601; (e) a county
24 designated by the governor as an eligible area under RCW 82.60.047; or
25 (f) a county that is contiguous to a county that qualifies as an
26 eligible area under (a) or (e) of this subsection.

27 (4)(a) "Eligible investment project" means:

28 (i) An investment project in an eligible area as defined in
29 subsection (3)(a), (b), (d), or (e) of this section; or

30 (ii) That portion of an investment project in an eligible area as
31 defined in subsection (3)(c) or (f) of this section which is directly
32 utilized to create at least one new full-time qualified employment
33 position for each three hundred thousand dollars of investment on which
34 a deferral is requested in an application approved before July 1, 1994,
35 and for each seven hundred fifty thousand dollars of investment on
36 which a deferral is requested in an application approved after June 30,
37 1994.

1 (b) The lessor/owner of a qualified building is not eligible for a
2 deferral unless the underlying ownership of the buildings, machinery,
3 and equipment vests exclusively in the same person, or unless the
4 lessor by written contract agrees to pass the economic benefit of the
5 deferral to the lessee in the form of reduced rent payments.

6 (c) For purposes of (a)(ii) of this subsection:

7 (i) The department shall consider the entire investment project,
8 including any investment in machinery and equipment that otherwise
9 qualifies for exemption under RCW 82.08.02565 or 82.12.02565, for
10 purposes of determining the portion of the investment project that
11 qualifies for deferral as an eligible investment project; and

12 (ii) The number of new full-time qualified employment positions
13 created by an investment project shall be deemed to be reduced by the
14 number of full-time employment positions maintained by the recipient in
15 any other community in this state that are displaced as a result of the
16 investment project.

17 (d) "Eligible investment project" does not include any portion of
18 an investment project undertaken by a light and power business as
19 defined in RCW 82.16.010(5), other than that portion of a cogeneration
20 project that is used to generate power for consumption within the
21 manufacturing site of which the cogeneration project is an integral
22 part, or investment projects which have already received deferrals
23 under this chapter.

24 (5) "Investment project" means an investment in qualified buildings
25 or qualified machinery and equipment, including labor and services
26 rendered in the planning, installation, and construction of the
27 project.

28 (6) "Manufacturing" means all activities of a commercial or
29 industrial nature wherein labor or skill is applied, by hand or
30 machinery, to materials so that as a result thereof a new, different,
31 or useful substance or article of tangible personal property is
32 produced for sale or commercial or industrial use and shall include the
33 production or fabrication of specially made or custom made articles.
34 "Manufacturing" also includes computer programming, the production of
35 computer software, and other computer-related services, and the
36 activities performed by research and development laboratories and
37 commercial testing laboratories.

38 (7) "Person" has the meaning given in RCW 82.04.030.

1 (8) "Qualified buildings" means construction of new structures, and
2 expansion or renovation of existing structures for the purpose of
3 increasing floor space or production capacity used for manufacturing,
4 warehousing, and research and development activities, including plant
5 offices and warehouses or other facilities for the storage of raw
6 material or finished goods if such facilities are an essential or an
7 integral part of a factory, mill, plant, or laboratory used for
8 manufacturing, warehousing, or research and development. If a building
9 is used partly for manufacturing or research and development and partly
10 for other purposes, the applicable tax deferral shall be determined by
11 apportionment of the costs of construction under rules adopted by the
12 department.

13 (9) "Qualified employment position" means a permanent full-time
14 employee employed in the eligible investment project during the entire
15 tax year.

16 (10) "Qualified machinery and equipment" means all new industrial
17 and research fixtures, equipment, and support facilities that are an
18 integral and necessary part of a manufacturing or research and
19 development operation. "Qualified machinery and equipment" includes:
20 Computers; software; data processing equipment; laboratory equipment;
21 manufacturing components such as belts, pulleys, shafts, and moving
22 parts; molds, tools, and dies; operating structures; and all equipment
23 used to control or operate the machinery.

24 (11) "Recipient" means a person receiving a tax deferral under this
25 chapter.

26 (12) "Research and development" means the development, refinement,
27 testing, marketing, and commercialization of a product, service, or
28 process before commercial sales have begun. As used in this
29 subsection, "commercial sales" excludes sales of prototypes or sales
30 for market testing if the total gross receipts from such sales of the
31 product, service, or process do not exceed one million dollars.

32 (13) "Warehouse" means a structure in excess of one hundred
33 thousand square feet used for the storage of merchandise or commodities
34 for eventual distribution and sale on a multicounty, national, or
35 international basis.

36 **Sec. 3.** RCW 82.62.010 and 1994 sp.s. c 7 s 705 are each amended to
37 read as follows:

1 Unless the context clearly requires otherwise, the definitions in
2 this section apply throughout this chapter.

3 (1) "Applicant" means a person applying for a tax credit under this
4 chapter.

5 (2) "Department" means the department of revenue.

6 (3) "Eligible area" means: (a) A county in which the average level
7 of unemployment for the three years before the year in which an
8 application is filed under this chapter exceeds the average state
9 unemployment for those years by twenty percent; (b) a metropolitan
10 statistical area, as defined by the office of federal statistical
11 policy and standards, United States department of commerce, in which
12 the average level of unemployment for the calendar year immediately
13 preceding the year in which an application is filed under this chapter
14 exceeds the average state unemployment for such calendar year by twenty
15 percent; (c) a designated community empowerment zone approved under RCW
16 43.63A.700; or (d) subcounty areas in those counties that are not
17 covered under (a) of this subsection that are timber impact areas as
18 defined in RCW 43.31.601.

19 (4)(a) "Eligible business project" means manufacturing or research
20 and development activities which are conducted by an applicant in an
21 eligible area at a specific facility, provided the applicant's average
22 full-time qualified employment positions at the specific facility will
23 be ~~((at least fifteen percent))~~ greater in the year for which the
24 credit is being sought than the applicant's average full-time qualified
25 employment positions at the same facility in the immediately preceding
26 year.

27 (b) "Eligible business project" does not include any portion of a
28 business project undertaken by a light and power business as defined in
29 RCW 82.16.010(5) or that portion of a business project creating
30 qualified full-time employment positions outside an eligible area or
31 those recipients of a sales tax deferral under chapter 82.61 RCW.

32 (5) "Manufacturing" means all activities of a commercial or
33 industrial nature wherein labor or skill is applied, by hand or
34 machinery, to materials so that as a result thereof a new, different,
35 or useful substance or article of tangible personal property is
36 produced for sale or commercial or industrial use and shall include the
37 production or fabrication of specially made or custom made articles.
38 "Manufacturing" also includes computer programming, the production of
39 computer software, and other computer-related services, and the

1 activities performed by research and development laboratories and
2 commercial testing laboratories.

3 (6) "Person" has the meaning given in RCW 82.04.030.

4 (7) "Qualified employment position" means a permanent full-time
5 employee employed in the eligible business project during the entire
6 tax year.

7 (8) "Tax year" means the calendar year in which taxes are due.

8 (9) "Recipient" means a person receiving tax credits under this
9 chapter.

10 (10) "Research and development" means the development, refinement,
11 testing, marketing, and commercialization of a product, service, or
12 process before commercial sales have begun. As used in this
13 subsection, "commercial sales" excludes sales of prototypes or sales
14 for market testing if the total gross receipts from such sales of the
15 product, service, or process do not exceed one million dollars.

16 **Sec. 4.** RCW 82.62.030 and 1986 c 116 s 17 are each amended to read
17 as follows:

18 (1) A person shall be allowed a credit against the tax due under
19 chapter 82.04 RCW (~~(of an amount equal to)~~) as provided in this
20 section. For an application approved before January 1, 1997, the
21 credit shall equal one thousand dollars for each qualified employment
22 position directly created in an eligible business project. For an
23 application approved on or after January 1, 1997, the credit shall
24 equal two thousand dollars for each qualified employment position
25 directly created in an eligible business project.

26 (2) The department shall keep a running total of all credits
27 granted under this chapter during each fiscal biennium. The department
28 shall not allow any credits which would cause the tabulation for a
29 biennium to exceed fifteen million dollars. If all or part of an
30 application for credit is disallowed under this subsection, the
31 disallowed portion shall be carried over for approval the next
32 biennium. However, the applicant's carryover into the next biennium is
33 only permitted if the tabulation for the next biennium does not exceed
34 fifteen million dollars as of the date on which the department has
35 disallowed the application.

36 (3) No recipient is eligible for tax credits in excess of three
37 hundred thousand dollars per taxable year.

1 (4) No recipient may use the tax credits to decertify a union or to
2 displace existing jobs in any community in the state.

3 (5) No recipient may receive a tax credit on taxes which have not
4 been paid during the taxable year.

5 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.04 RCW
6 to read as follows:

7 (1) There may be credited against the tax imposed by this chapter,
8 the value of state-approved, employer-provided or sponsored job
9 training services designed to enhance the job-related performance of
10 employees, for those businesses eligible for a tax deferral under
11 chapter 82.60 RCW.

12 (2) The value of the state-approved, job training services provided
13 by the employer to the employee, without charge, shall be determined by
14 the allocation of the cost method using generally accepted accounting
15 standards.

16 (3) The credit allowed under this section shall be limited to an
17 amount equal to twenty percent of the value of the state-approved, job
18 training services determined under subsection (2) of this section. The
19 total credits allowed under this section for a business shall not
20 exceed five thousand dollars per calendar year.

21 (4) Before claiming the credit under this section, the business
22 must obtain approval of the proposed job training service from the
23 employment security department. The employer's request for approval
24 must include a description of the proposed job training service, how
25 the job training will enhance the employee's performance, and the cost
26 of the proposed job training.

27 (5) This section only applies to training in respect to eligible
28 business projects for which an application is approved on or after
29 October 1, 1996.

30 NEW SECTION. **Sec. 6.** This act shall take effect July 1, 1996.

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