

2 **2SSB 5740** - H COMM AMD 764 ADOPTED 4-26-97

3 By Representative Buck

4

5 Strike everything after the enacting clause and insert the
6 following:

7

"PART I

8

LEGISLATIVE INTENT

9

NEW SECTION. **Sec. 1.** LEGISLATIVE RECOGNITION AND INTENT. The

10 legislature recognizes the economic hardship that rural distressed
11 areas throughout the state have undergone in recent years. Numerous
12 rural distressed areas across the state have encountered serious
13 economic downturns resulting in significant job loss and business
14 failure. In 1991 the legislature enacted two major pieces of
15 legislation to promote economic development and job creation, with
16 particular emphasis on worker training, income, and emergency services
17 support, along with community revitalization through planning services
18 and infrastructure assistance. However even though these programs have
19 been of assistance, rural distressed areas still face serious economic
20 problems including: Above-average unemployment rates from job losses
21 and below-average employment growth; low rate of business start-ups;
22 and persistent erosion of vitally important resource-driven industries.

23 The legislature also recognizes that rural distressed areas in
24 Washington have an abiding ability and consistent will to overcome
25 these economic obstacles by building upon their historic foundations of
26 business enterprise, local leadership, and outstanding work ethic.

27 The legislature intends to assist rural distressed areas in their
28 ongoing efforts to address these difficult economic problems by
29 providing a comprehensive and significant array of economic tools,
30 necessary to harness the persistent and undaunted spirit of enterprise
31 that resides in the citizens of rural distressed areas throughout the
32 state.

33 The further intent of this act is to provide:

34 (1) A strategically designed plan of assistance, emphasizing state,
35 local, and private sector leadership and partnership;

1 (2) A comprehensive and significant array of business assistance,
2 services, and tax incentives that are accountable and performance
3 driven;

4 (3) An array of community assistance including infrastructure
5 development and business retention, attraction, and expansion programs
6 that will provide a competitive advantage to rural distressed areas
7 throughout Washington; and

8 (4) Regulatory relief to reduce and streamline zoning, permitting,
9 and regulatory requirements in order to enhance the capability of
10 businesses to grow and prosper in rural distressed areas.

11 NEW SECTION. **Sec. 2.** GOALS. The primary goals of chapter . . . ,
12 Laws of 1997 (this act) are to:

13 (1) Promote the ongoing operation of business in rural distressed
14 areas;

15 (2) Promote the expansion of existing businesses in rural
16 distressed areas;

17 (3) Attract new businesses to rural distressed areas;

18 (4) Assist in the development of new businesses from within rural
19 distressed areas;

20 (5) Provide family wage jobs to the citizens of rural distressed
21 areas; and

22 (6) Promote the development of communities of excellence in rural
23 distressed areas.

24 **PART II**
25 **TAX INCENTIVES**

26 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.14 RCW
27 to read as follows:

28 (1) The legislative authority of a distressed county may impose a
29 sales and use tax in accordance with the terms of this chapter. The
30 tax is in addition to other taxes authorized by law and shall be
31 collected from those persons who are taxable by the state under
32 chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event
33 within the county. The rate of tax shall not exceed 0.04 percent of
34 the selling price in the case of a sales tax or value of the article
35 used in the case of a use tax.

1 (2) The tax imposed under subsection (1) of this section shall be
2 deducted from the amount of tax otherwise required to be collected or
3 paid over to the department of revenue under chapter 82.08 or 82.12
4 RCW. The department of revenue shall perform the collection of such
5 taxes on behalf of the county at no cost to the county.

6 (3) Moneys collected under this section shall only be used for the
7 purpose of financing public facilities in rural counties.

8 (4) No tax may be collected under this section before July 1, 1998.
9 No tax may be collected under this section by a county more than
10 twenty-five years after the date that a tax is first imposed under this
11 section.

12 (5) For purposes of this section, "distressed county" means a
13 county in which the average level of unemployment for the three years
14 before the year in which a tax is first imposed under this section
15 exceeds the average state employment for those years by twenty percent.

16 **Sec. 4.** RCW 82.62.010 and 1996 c 290 s 5 are each amended to read
17 as follows:

18 Unless the context clearly requires otherwise, the definitions in
19 this section apply throughout this chapter.

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

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

23 (3) "Eligible area" means: (a) A county in which the average level
24 of unemployment for the three years before the year in which an
25 application is filed under this chapter exceeds the average state
26 unemployment for those years by twenty percent; (b) a county that has
27 a median household income that is less than seventy-five percent of the
28 state median household income for the previous three years; (c) a
29 metropolitan statistical area, as defined by the office of federal
30 statistical policy and standards, United States department of commerce,
31 in which the average level of unemployment for the calendar year
32 immediately preceding the year in which an application is filed under
33 this chapter exceeds the average state unemployment for such calendar
34 year by twenty percent; (d) a designated community empowerment zone
35 approved under RCW 43.63A.700; or (e) subcounty areas in those counties
36 that are not covered under (a) of this subsection that are timber
37 impact areas as defined in RCW 43.31.601.

1 (4)(a) "Eligible business project" means manufacturing or research
2 and development activities which are conducted by an applicant in an
3 eligible area at a specific facility, provided the applicant's average
4 full-time qualified employment positions at the specific facility will
5 be (~~at least fifteen percent~~) greater in the year for which the
6 credit is being sought than the applicant's average full-time qualified
7 employment positions at the same facility in the immediately preceding
8 year.

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

14 (5) "Manufacturing" means all activities of a commercial or
15 industrial nature wherein labor or skill is applied, by hand or
16 machinery, to materials so that as a result thereof a new, different,
17 or useful substance or article of tangible personal property is
18 produced for sale or commercial or industrial use and shall include the
19 production or fabrication of specially made or custom made articles.
20 "Manufacturing" also includes computer programming, the production of
21 computer software, and other computer-related services, and the
22 activities performed by research and development laboratories and
23 commercial testing laboratories.

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

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

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

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

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

37 **Sec. 5.** RCW 82.62.030 and 1996 c 1 s 3 are each amended to read as
38 follows:

1 (1) A person shall be allowed a credit against the tax due under
2 chapter 82.04 RCW as provided in this section. For an application
3 approved before January 1, 1996, the credit shall equal one thousand
4 dollars for each qualified employment position directly created in an
5 eligible business project. For an application approved on or after
6 January 1, 1996, the credit shall equal two thousand dollars for each
7 qualified employment position directly created in an eligible business
8 project. For an application approved on or after July 1, 1997, the
9 credit shall equal four thousand dollars for each qualified employment
10 position with wages and benefits greater than forty thousand dollars
11 annually that is directly created in an eligible business. For an
12 application approved on or after July 1, 1997, the credit shall equal
13 two thousand dollars for each qualified employment position with wages
14 and benefits less than or equal to forty thousand dollars annually that
15 is directly created in an eligible business.

16 (2) The department shall keep a running total of all credits
17 granted under this chapter during each fiscal ~~((biennium))~~ year. The
18 department shall not allow any credits which would cause the tabulation
19 ~~((for a biennium))~~ to exceed ~~((fifteen))~~ five million five hundred
20 thousand dollars in fiscal year 1998 or 1999 or seven million five
21 hundred thousand dollars in any fiscal year thereafter. If all or part
22 of an application for credit is disallowed under this subsection, the
23 disallowed portion shall be carried over for approval the next
24 ~~((biennium))~~ fiscal year. However, the applicant's carryover into the
25 next ~~((biennium))~~ fiscal year is only permitted if the tabulation for
26 the next ~~((biennium))~~ fiscal year does not exceed ~~((fifteen million~~
27 ~~dollars))~~ the cap for that fiscal year as of the date on which the
28 department has disallowed the application.

29 ~~((3))~~ ~~((No recipient is eligible for tax credits in excess of three~~
30 ~~hundred thousand dollars.~~

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

33 ~~((+5))~~ (4) No recipient may receive a tax credit on taxes which
34 have not been paid during the taxable year.

35 NEW SECTION. Sec. 6. RCW 82.62.040 and 1993 sp.s. c 25 s 411,
36 1988 c 41 s 4, & 1986 c 116 s 22 are each repealed.

1 **PART III**

2 **BUSINESS ASSISTANCE**

3 NEW SECTION. **Sec. 7.** BUSINESS ASSISTANCE AND RECRUITMENT FOR
4 RURAL DISTRESSED AREAS. The department of community, trade, and
5 economic development is directed to emphasize business assistance and
6 recruitment for rural distressed areas within its trade and economic
7 sectors, and local development assistance. The primary goal of the
8 rural initiative is to coordinate and administer a comprehensive and
9 effective set of business assistance programs and services including:

10 (1) Business recruitment. The department of community, trade, and
11 economic development shall: Provide a comprehensive and aggressive
12 program to attract viable businesses to rural distressed areas; work
13 with local communities to identify select industry sectors that have a
14 competitive advantage in specific rural distressed areas; collaborate
15 with state and local officials to modify their infrastructure plans and
16 priorities to facilitate business growth; and assist rural distressed
17 areas in developing strategic business recruitment plans.

18 (2) Business permitting and zoning one-stop shop. The department
19 of community, trade, and economic development shall: Provide a
20 streamlined and customer driven siting service to businesses in order
21 to promote their attraction and expansion in rural distressed areas;
22 provide preliminary permit application and zoning information and
23 services for businesses in order to attract firms and facilitate
24 business growth in rural distressed areas.

25 (3) Business regulatory assistance and ombudsman services. The
26 department of community, trade, and economic development shall:
27 Provide comprehensive business regulatory services to assist businesses
28 in addressing and responding to local, state, and federal regulations;
29 and provide recommendations on streamlining and modifying government
30 regulations.

31 (a) The department of community, trade, and economic development is
32 authorized to review state zoning, permitting, or regulatory
33 requirements that pose difficulty for businesses wishing or likely to
34 site in a rural enterprise area. In situations where the department of
35 community, trade, and economic development considers the zoning,
36 permitting, or regulatory requirements placed on a business in a rural
37 enterprise area unfairly burdensome the director may petition the
38 regulatory agency or agencies for regulatory relief. In addition the

1 director may petition the agency or agencies for relief under the
2 regulatory fairness act, chapter 19.85 RCW.

3 (b) In situations where a business or entity in a rural enterprise
4 area is encountering regulatory oversight from more than one state
5 agency and is experiencing conflicting direction or confusing process,
6 the business or entity may petition the director to intercede. The
7 director upon review of the circumstances involved is authorized to
8 designate a lead agency to collaborate with other state agencies in
9 order to streamline and reduce the regulatory difficulties.

10 (c) Businesses or entities in a rural enterprise zone may petition
11 the director for an accelerated zoning, permitting, or regulatory
12 process. The director upon reviewing the petition and the
13 circumstances involved may make a finding of regulatory unfairness and
14 may direct the state agency or agencies to process the business or
15 entities application in an expeditious manner with a maximum timeline
16 of six months from the director's receipt of the petition.

17 The director shall establish a pilot process in cooperation with
18 other state agencies to implement this subsection (3) during 1997 and
19 1998 and report annually to the legislature on the impact of the
20 program.

21 (4) "Brown Fields" Program. The department of community, trade,
22 and economic development shall develop with the department of ecology
23 and recommend to the legislature a streamlined and cost-effective
24 process to redevelop hazardous industrial sites in order to promote
25 business growth in rural distressed areas.

26 (5) Rural enterprise zone development and foreign trade zone. The
27 department of community, trade, and economic development is authorized
28 to provide technical assistance to local governments in rural
29 distressed areas to establish rural enterprise zones and foreign trade
30 zones. The department of community, trade, and economic development
31 shall target rural enterprise zones and foreign trade zones in the
32 delivery of its services in order to maximize the impact of its
33 economic development assistance to businesses and rural distressed
34 areas.

35 NEW SECTION. **Sec. 8.** RURAL INITIATIVE ADMINISTRATION. The rural
36 initiative shall be administered by a director appointed by the
37 director of community, trade, and economic development, in consultation
38 with the rural distressed areas economic recovery coordination board.

1 The rural initiative director shall coordinate activities with the
2 rural community assistance team and report on the activities and
3 performance of the rural initiative to the legislature on a quarterly
4 basis.

5 **PART IV**

6 **RURAL ENTERPRISE ZONES**

7 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.63A RCW
8 to read as follows:

9 **RURAL ENTERPRISE ZONES.** The legislature recognizes the unique
10 difficulties encountered by communities in rural distressed areas
11 wishing to promote business development, increase employment
12 opportunities, and provide a high quality of life for its citizens. In
13 response the legislature authorizes the establishment of rural
14 enterprise zones that will allow the targeting of state services and
15 resources in the form of business, industry recruitment, regulatory
16 relief, and infrastructure development. It is the intent of the
17 legislature to provide the critical level of resources and services to
18 businesses and entities located in these rural enterprise zones that
19 they will be the catalyst for economic prosperity and diversity
20 throughout rural distressed areas in Washington.

21 (1) The department in cooperation with the department of revenue
22 and other state agencies shall approve applications submitted by local
23 governments in rural distressed areas. The application shall be in the
24 form and manner and contain the necessary information designated by the
25 department. The application shall:

26 (a) Be submitted on behalf of the local government by the chief
27 elected official or, if none, by the governing body of the local
28 government;

29 (b) Outline the purpose for the economic development enterprise
30 zone and the process in which the application was developed;

31 (c) Demonstrate the level of government and community support for
32 the enterprise zone;

33 (d) Outline the manner in which the enterprise zone will be
34 governed and report its activities to the local government and the
35 department; and

36 (e) Designate the geographic area in which the rural enterprise
37 zone will exist.

- 1 (2) Rural enterprise zones are authorized to:
- 2 (a) Hire a director or designate an individual to oversee
3 operations;
- 4 (b) Seek federal, state, and local government support in its
5 efforts to target, develop, and attract viable businesses;
- 6 (c) Work with the office of business assistance and recruitment for
7 rural distressed areas in the pursuit of its economic development
8 activities;
- 9 (d) Provide a local one-stop shop for businesses intending to
10 locate, retain, expand, or start their businesses within its zone; and
- 11 (e) Provide comprehensive permitting, zoning, and regulatory
12 assistance to businesses or entities within the zone.
- 13 (3) Rural enterprise zones are authorized to receive the services
14 and funding resources as provided under the rural area marketing plan
15 and other resources assisting rural distressed areas.
- 16 (4) Rural enterprise zones may be established in conjunction with
17 a foreign trade zone.

18 **PART V**
19 **EVALUATION**

20 NEW SECTION. **Sec. 10.** REVIEW AND EVALUATION. The joint
21 legislative audit and review committee shall design an evaluation
22 mechanism for economically distressed counties under this act and
23 undertake an evaluation of the act's effectiveness by November 1, 1999.
24 The agencies implementing the programs under this act shall assist the
25 joint legislative audit and review committee evaluation.

26 **PART VI**
27 **MISCELLANEOUS**

28 NEW SECTION. **Sec. 11.** If any provision of this act or its
29 application to any person or circumstance is held invalid, the
30 remainder of the act or the application of the provision to other
31 persons or circumstances is not affected.

32 NEW SECTION. **Sec. 12.** Section captions and part headings used in
33 this act are not any part of the law."

1 Correct the title.

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