
HOUSE BILL 2087

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By Representatives Veloria, Tokuda, Mason, Kenney, O'Brien, Gombosky, Dickerson, Costa, Murray, Ogden, Cody and Conway

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1 AN ACT Relating to community empowerment; amending RCW 43.63A.700,
2 43.63A.710, 84.14.010, 84.14.050, 82.60.020, 82.60.040, and 82.62.010;
3 adding new sections to chapter 82.04 RCW; adding a new section to
4 chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding a
5 new section to chapter 48.14 RCW; adding a new section to chapter 84.36
6 RCW; adding a new section to chapter 43.19 RCW; adding a new chapter to
7 Title 43 RCW; adding new chapters to Title 82 RCW; adding a new chapter
8 to Title 74 RCW; creating new sections; recodifying RCW 43.63A.700 and
9 43.63A.710; and providing expiration dates.

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

11 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

12 (a) There are geographic areas within communities that are
13 characterized by a lack of employment opportunities, by an average
14 income level that is below the median income level for the surrounding
15 community, by a lack of affordable housing, by deteriorating
16 infrastructure, and by a lack of facilities for community services, job
17 training, and education;

1 (b) Strategies to encourage reinvestment in these areas by
2 assisting local businesses to become stronger and area residents to
3 gain economic power involve a variety of activities and partnerships;

4 (c) Reinvestment in these areas cannot be accomplished with only
5 governmental resources and require a comprehensive approach that
6 integrates various incentives, programs, and initiatives to meet the
7 economic, physical, and social needs of the area;

8 (d) Successful reinvestment depends on a local government's ability
9 to coordinate public resources in a cohesive, comprehensive strategy
10 that is designed to leverage long-term private investment in an area;

11 (e) Reinvestment can strengthen the overall tax base through
12 increased tax revenue from expanded and new business activities and
13 physical property improvement;

14 (f) Local governments, in cooperation with area residents, can
15 provide leadership as well as planning and coordination of resources
16 and necessary supportive services to address reinvestment in the area;
17 and

18 (g) It is in the public interest to adopt a targeted approach to
19 revitalization and enlist the resources of all levels of government,
20 the private sector, community-based organizations, and community
21 residents to revitalize an area.

22 (2) The legislature declares that the purposes of the community
23 empowerment zone act are to:

24 (a) Encourage reinvestment through strong partnerships and
25 cooperation between all levels of government, community-based
26 organizations, area residents, and the private sector;

27 (b) Involve the private sector and stimulate private reinvestment
28 through the judicious use of public resources;

29 (c) Target governmental resources to those areas of greatest need;
30 and

31 (d) Include all levels of government, community individuals,
32 organizations, and private sector in the policy-making process.

33 **PART I -- DESIGNATION OF COMMUNITY EMPOWERMENT ZONES**

34 NEW SECTION. **Sec. 101.** The definitions in this section apply
35 throughout this chapter unless the context clearly requires otherwise.

36 (1) "Area" means a geographic area within a local government that
37 is described by a close perimeter boundary.

1 (2) "Community empowerment zone" means an area meeting the
2 requirements of RCW 43.63A.700 (as recodified by this act) and
3 officially designated by the director.

4 (3) "Department" means the department of community, trade, and
5 economic development.

6 (4) "Director" means the director of the department of community,
7 trade, and economic development.

8 (5) "Local government" means a city, code city, town, or county.

9 **Sec. 102.** RCW 43.63A.700 and 1994 sp.s. c 7 s 702 are each amended
10 to read as follows:

11 (1) The department, in cooperation with the department of revenue,
12 the employment security department, and the office of financial
13 management, ~~((shall))~~ may approve applications submitted by local
14 governments for an area's designation as a community empowerment zone
15 under this ~~((section))~~ chapter. The application for designation shall
16 be in the form and manner and contain such information as the
17 department may prescribe, provided that the application ~~((for~~
18 ~~designation))~~ shall:

19 (a) Contain information sufficient for the director to determine if
20 the criteria established in RCW 43.63A.710 (as recodified by this act)
21 have been met~~((-))~~i

22 (b) Be submitted on behalf of the local government by its chief
23 elected official, or, if none, by the governing body of the local
24 government~~((-))~~i

25 (c) Contain a five-year community empowerment plan that ~~((describes~~
26 ~~the proposed designated community empowerment zone's community~~
27 ~~development needs and present a strategy for meeting those needs. The~~
28 ~~plan shall address the following categories: Housing needs; public~~
29 ~~infrastructure needs, such as transportation, water, sanitation,~~
30 ~~energy, and drainage/flood control; other public facilities needs, such~~
31 ~~as neighborhood facilities or facilities for provision of health,~~
32 ~~education, recreation, public safety, or other services; community~~
33 ~~economic development needs, such as commercial/industrial~~
34 ~~revitalization, job creation and retention considering the unemployment~~
35 ~~and underemployment of area residents, accessibility to financial~~
36 ~~resources by area residents and businesses, investment within the area,~~
37 ~~or other related components of community economic development; and~~
38 ~~social service needs.~~

1 The local government is required to provide a description of its
2 strategy for meeting the needs identified in this subsection (1)(c).
3 As part of the strategy, the local government is required to identify
4 the needs for which specific plans are currently in place and the
5 source of funds expected to be used. For the balance of the area's
6 needs, the local government must identify the source of funds expected
7 to become available during the next two-year period and actions the
8 local government will take to acquire those funds.) meet the
9 requirements of section 104 of this act; and

10 (d) Certify that ((neighborhood)) area residents were given the
11 opportunity to participate in the development of the five-year
12 community empowerment strategy required under ((c) of this
13 subsection)) section 104 of this act.

14 (2) No local government shall submit more than two
15 ((neighborhoods)) areas to the department for possible designation as
16 a ((designated)) community empowerment zone under this ((section))
17 chapter.

18 (3)(a) ((Within ninety days after January 1, 1994,)) The director
19 may designate up to ((six designated community empowerment zones)) ten
20 areas from among the applications ((eligible)) submitted for
21 designation as a ((designated)) community empowerment zone.

22 (b) The director shall make determinations of ((designated))
23 designation as community empowerment zones on the basis of the
24 following factors:

25 (i) The strength and quality of the local government commitments to
26 meet the needs identified in the five-year community empowerment plan
27 required under ((this)) section 104 of this act.

28 (ii) The level of private ((commitments by private entities))
29 sector commitment of additional resources and contributions to the
30 ((designated community empowerment zone)) area.

31 (iii) The potential for revitalization of the area as a result of
32 designation as a ((designated)) community empowerment zone.

33 (iv) Other factors the director deems necessary.

34 (c) The determination of the director as to the areas designated as
35 community empowerment zones shall be final.

36 (4) Except as provided in section 105 of this act, an area that was
37 designated a community empowerment zone before January 1, 1996, under
38 this section, automatically and without additional action by the local
39 government continues its designation under this chapter.

1 (5) The department may not designate additional community
2 empowerment zones after January 1, 2000, but may amend or rescind
3 designations of community empowerment zones in accordance with section
4 105 of this act.

5 **Sec. 103.** RCW 43.63A.710 and 1994 sp.s. c 7 s 703 are each amended
6 to read as follows:

7 (1) The director may not designate an area as a ~~((designated))~~
8 community empowerment zone unless that area meets the following
9 requirements:

10 (a) The area must be designated by the legislative authority of the
11 local government as an area to receive federal, state, and local
12 assistance designed to increase economic, physical, or social activity
13 in the area;

14 (b) The area must have at least fifty-one percent of the households
15 in the area with incomes at or below eighty percent of the county's
16 median income, adjusted for household size;

17 (c) The average unemployment rate for the area, for the most recent
18 twelve-month period for which data is available must be at least one
19 hundred twenty percent of the average unemployment rate of the county;
20 and

21 (d) A five-year community empowerment plan for the area that meets
22 the requirements of ~~((RCW 43.63A.700(1)(c) and as further defined by~~
23 ~~the director))~~ section 104 of this act must be adopted.

24 (2) The director may establish, by rule, such other requirements as
25 the director may reasonably determine necessary and appropriate to
26 assure that the purposes of this ~~((section))~~ chapter are satisfied.

27 (3) In determining if an area meets the requirements of this
28 section, the director may consider data provided by the United States
29 bureau of the census from the most recent census or any other reliable
30 data that the director determines to be acceptable for the purposes for
31 which the data is used.

32 NEW SECTION. **Sec. 104.** (1) The five-year community empowerment
33 plan required under RCW 43.63A.700 (as recodified by this act) shall
34 contain information that describes the community development needs of
35 the proposed community empowerment zone and present a strategy for
36 meeting those needs. The plan shall address the following categories:

1 (a) Housing needs for all economic segments of the proposed
2 community empowerment zone;

3 (b) Public infrastructure needs, such as transportation, water,
4 sanitation, energy, and drainage and flood control;

5 (c) Other public facilities needs, such as neighborhood facilities
6 or facilities for provision of health, education, recreation, public
7 safety, and other services;

8 (d) Community economic development needs, such as commercial and
9 industrial revitalization, job creation and retention considering the
10 unemployment and underemployment of area residents, accessibility to
11 financial resources by area residents and businesses, investment within
12 the area, and other related components of community economic
13 development; and

14 (e) Social service needs of residents in the proposed community
15 empowerment zone.

16 (2) The local government must provide a description of its strategy
17 for meeting the needs identified in subsection (1) of this section. As
18 part of the community empowerment zone strategy, the local government
19 must identify the needs for which specific plans are currently in place
20 and the source of funds expected to be used. For the balance of the
21 area's needs, the local government must identify the source of funds
22 expected to become available during the next two-year period and
23 actions the local government will take to acquire those funds.

24 (3) The local government must submit an annual progress report, to
25 the department, that details the extent to which the local government
26 is working to meet the needs identified in the five-year community
27 empowerment plan. If applicable, the progress report shall also
28 contain a discussion on the impediments to meeting the needs outlined
29 in the five-year community empowerment plan. The department shall
30 determine the date the annual progress reports are due from each local
31 government.

32 NEW SECTION. Sec. 105. (1) The terms or conditions of a community
33 empowerment zone approved under this chapter may be amended to:

34 (a) Alter the boundaries of the community empowerment zone; or

35 (b) Terminate the designation of a community empowerment zone.

36 (2)(a) A request for an amendment under subsection (1)(a) of this
37 section may not be in effect until the department issues an amended
38 designation for the community empowerment zone that approves the

1 requested amendment. The local government must promptly file with the
2 department a request for approval that contains information the
3 department deems necessary to evaluate the proposed changes and its
4 impact on the area's designation as a community empowerment zone under
5 RCW 43.63A.710 (as recodified by this act). The local government must
6 hold at least two public hearings on the proposed changes and include
7 the information in its request for an amendment to its community
8 empowerment zone.

9 (b) The department shall approve or disapprove a proposed amendment
10 to a community empowerment zone within sixty days of its receipt of a
11 request under subsection (1)(a) of this section. The department may
12 not approve changes in a community empowerment zone that are not in
13 conformity with this chapter.

14 (3)(a) The termination of an area's designation as a community
15 empowerment zone under subsection (1)(b) of this section is not
16 effective until the department issues a finding stating the reasons for
17 the termination. The local government may file an appeal to the
18 department's findings within sixty days of the notice to terminate the
19 area's designation. The department shall notify the local government
20 of the results within thirty days of the filing of the appeal.

21 (b) A termination of an area's designation as a community
22 empowerment zone shall have no effect on benefits previously extended
23 to individual businesses. The local government may not commit benefits
24 to a business after the effective date of the termination of an area's
25 designation as a community empowerment zone.

26 NEW SECTION. **Sec. 106.** The department shall administer this
27 chapter and has the following powers and duties:

28 (1) To monitor the implementation of chapter . . . , Laws of 1997
29 (this act) and submit reports evaluating the effectiveness of the
30 program and any suggestions for legislative changes to the governor and
31 legislature by December 1, 1997, and every December 1st thereafter;

32 (2) To prepare and submit an annual report to the legislature on
33 the progress of the areas designated as community empowerment zones
34 under this chapter;

35 (3) To provide information and appropriate assistance to persons
36 desiring to locate and operate a business in a community empowerment
37 zone;

1 (4) To assist local governments in obtaining federal designation as
2 either an empowerment zone or enterprise community;

3 (5) To work with appropriate state agencies and the department to
4 coordinate the delivery of programs, including but not limited to
5 housing, community and economic development, small business assistance,
6 social service, and employment and training programs which are carried
7 on in a community empowerment zone; and

8 (6) To develop rules necessary for the administration of this
9 chapter.

10 NEW SECTION. **Sec. 107.** The administration of a community
11 empowerment zone is under the jurisdiction of the local government.
12 Each local government shall, by ordinance, designate a community
13 empowerment zone administrator for the area designated as a community
14 empowerment zone that is within its jurisdiction. A community
15 empowerment zone administrator must be an officer or employee of the
16 local government. The community empowerment zone administrator shall
17 be the liaison between the local government, the department, the
18 business community, labor, and community-based organizations within the
19 community empowerment zone.

20 NEW SECTION. **Sec. 108.** This chapter may be known and cited as the
21 Washington community empowerment zone act.

22 **PART II -- BUSINESS TAX INCENTIVES**

23 **Subpart A -- Empowerment Zone Hiring and Training Tax Credit**

24 NEW SECTION. **Sec. 201.** It is the intent of the legislature that
25 the department of social and health services, the employment security
26 department, the work force training and education coordinating board,
27 the department of community, trade, and economic development, and the
28 community and technical colleges work together to market the tax
29 incentive programs established under section 206 of this act.

30 The goals of the tax incentive program are to give employers
31 incentives to hire and train public assistance recipients that reside
32 in community empowerment zones and to increase the employability of
33 public assistance recipients.

34 The legislature intends to achieve these goals through the
35 provision of tax incentives in the form of tax credits for persons who

1 agree, in writing, to hire and train recipients of aid to families with
2 dependent children.

3 The legislature finds that incentives should be targeted by
4 allowing smaller incentives to employers of recipients who have already
5 achieved the higher levels of education and job experience while
6 providing larger incentives for employers of recipients who are less
7 job ready.

8 NEW SECTION. **Sec. 202.** The definitions in this section apply
9 throughout this chapter and chapter 74.-- RCW (sections 205 through 210
10 of this act) unless the context clearly requires otherwise.

11 (1) "Community empowerment zone" has the meaning given in section
12 101 of this act.

13 (2) "Gross annual wages" means salary, wages, tips, and other
14 compensation paid to a qualified employee by an employer claiming the
15 credit under this section during the calendar year for which the credit
16 is claimed.

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

18 (4) "Qualified employee" and "category 1, 2, or 3 qualified
19 employee" means a person that resides in a community empowerment zone,
20 is certified as such by the department of social and health services,
21 and hired before June 30, 2002. "Qualified employee" does not include
22 a person hired by an employer to replace a striker or locked-out
23 worker.

24 (5) "Qualified training institution" means a community or technical
25 college, four-year college or university, public or private
26 institution, apprenticeship and training council, or private industry
27 council that has entered into a training plan that provides for the
28 training of a qualified employee of a person claiming the credit under
29 this chapter.

30 (6) "Training plan" means a written agreement, signed by a
31 qualified employee, a union or other employee bargaining agreement, a
32 qualified training institution, the department of social and health
33 services or a designee of the department of social and health services,
34 and an employer claiming the credit under this section, that specifies
35 the amount that the employer will pay the qualified training
36 institution for the payment costs for the qualified employee, the
37 learning objectives that will be achieved by the training, and a
38 statement of progressively increasing scale of wages to be paid to the

1 employee during the training plan period, using a wage scale that
2 exceeds federal poverty levels for a family of three.

3 NEW SECTION. **Sec. 203.** (1) A person is allowed a credit against
4 the tax due under chapter 82.04 or 82.16 RCW of an amount equal to one
5 hundred twenty percent of the payment made by an employer to a
6 qualified training institution under a training plan for training a
7 qualified employee, subject to the limitations in this section. A
8 person may not receive a credit for the same amount under both chapters
9 82.04 and 82.16 RCW.

10 (2) A person claiming the credit shall file an affidavit form
11 prescribed by the department of revenue, that shall include the amount
12 of the credit claimed and additional information as the department of
13 revenue may require.

14 (3)(a) The tax credit in respect to any qualified employee may not
15 in a calendar year exceed:

16 (i) The lesser of eight percent of the qualified employee's gross
17 annual wages or one thousand two hundred dollars for a category 1
18 qualified employee;

19 (ii) The lesser of sixteen percent of the qualified employee's
20 gross annual wages or two thousand four hundred dollars for a category
21 2 qualified employee; or

22 (iii) The lesser of twenty-four percent of the qualified employee's
23 gross annual wages or three thousand six hundred dollars for a category
24 3 qualified employee.

25 (b) The office of financial management shall, by December 1, 1997,
26 for calendar year 1998, and by December 1st each year thereafter adjust
27 the payment maximums under subsection (3) of this section to reflect
28 inflation, using the previous calendar year's limit adjusted by an
29 appropriate federal inflationary index reflecting the rate of inflation
30 for the previous year. The department of revenue shall publish the new
31 payment maximums.

32 (4) The credit in respect to a qualified employee may not be taken:

33 (a) For more than one year of training in the case of a category 1
34 qualified employee; or

35 (b) For more than three years of training in the case of a category
36 2 or category 3 qualified employee.

37 (5) The credit shall be taken against taxes due for the same
38 calendar year in which the payment is made to the qualified training

1 institution and must be claimed by the due date of the last tax return
2 for the calendar year in which the payment is made to the qualified
3 training institution.

4 (6) The department of revenue shall allow accrual of tax credits to
5 a successor employer if the business or firm is sold, assigned,
6 conveyed, or otherwise transferred.

7 (7) Total credits allowed to all persons claiming credits may not
8 exceed ten million dollars in any biennium.

9 (8) This section expires December 31, 2005.

10 NEW SECTION. **Sec. 204.** Chapter 82.32 RCW applies to the
11 administration of this chapter.

12 NEW SECTION. **Sec. 205.** The definitions in section 202 of this act
13 apply throughout this chapter unless the context clearly requires
14 otherwise.

15 NEW SECTION. **Sec. 206.** (1) The tax incentive program is hereby
16 established. The department of social and health services may enter
17 into training plans. The department of social and health services
18 shall adopt guidelines for the tax incentive program. The guidelines
19 must include, but are not limited to:

20 (a) Designation of three categories of eligible aid to families
21 with dependent children recipients. The department of social and
22 health services shall by rule establish criteria for assigning
23 recipients into categories 1, 2, and 3. In establishing the criteria,
24 the department of social and health services shall consider the degree
25 of work experience, training, wage and employment history, and
26 education, with category 1 representing recipients with the highest
27 degree of job readiness;

28 (b) Selection criteria that includes establishment of a pool of
29 prospective public assistance participants;

30 (c) A restriction on the total number of employees that an employer
31 may have in the program, except that no more than twenty percent of the
32 employers' employees may participate in the program;

33 (d) A requirement that the employer participate in the earned
34 income tax credit program; and

35 (e) Standards regarding length of training plans, requiring the
36 training institution to design the plan length so that it meets

1 accepted training standards for that industry or profession. Training
2 plans may not exceed three years.

3 (2) Qualified training institutions are accredited for the purposes
4 of this chapter if they meet national standards, standards of the state
5 board for community and technical colleges, or standards of the work
6 force training and education coordinating board.

7 (3) The department of social and health services may contract with
8 a public or private entity to carry out the department's duties under
9 this chapter. The department of social and health services may
10 withdraw designation of authority to this entity without showing cause.

11 (4) The department of social and health services shall manage the
12 program so that the total amount of credits by all persons claiming tax
13 credits under chapter 82.-- RCW (sections 201 through 204 of this act)
14 does not exceed ten million dollars in a biennium. The department of
15 social and health services shall enter into contracts with employers on
16 a first-come, first-served basis. The department of social and health
17 services may not enter into contracts if the potential amount of
18 credits by all persons potentially claiming credits will exceed ten
19 million dollars in a biennium.

20 NEW SECTION. **Sec. 207.** The department of social and health
21 services, in cooperation with the work force training and education
22 coordinating board, may institute an experimental and control group
23 study under this program. The department of social and health
24 services, in carrying out this study, may select particular recipients
25 or categories of recipients, and is not subject to claims of
26 discrimination for recipients who are not participating in the
27 experimental group, if the selection process is in the furtherance of
28 a valid public purpose.

29 NEW SECTION. **Sec. 208.** The department of social and health
30 services, the employment security department, the department of
31 community, trade, and economic development, the work force training and
32 education coordinating board, and the community and technical colleges
33 shall cooperate and coordinate among the existing state and federal
34 assistance and training programs to focus the efforts of enrollees and
35 programs to most effectively achieve results from the various programs.

1 (b)(i) "New business" means a business that obtained or was
2 required to obtain a registration certificate under RCW 82.32.030 for
3 the first time during the calendar year for which the exemption is
4 first claimed under this chapter; and

5 (ii) "New business" does not include:

6 (A) A business that has been restructured, reorganized, or
7 transferred, unless the majority of the activities to be conducted
8 after restructuring, reorganization, or transferral are significantly
9 different from the activities previously conducted;

10 (B) A new branch location or other facility except by an existing
11 out-of-state entity first doing business in this state; or

12 (C) A business that is substantially similar to a business
13 currently operated, or operated within the past five years, by the same
14 principals.

15 (3) The department may require a new business to certify its status
16 as part of its master business application or with the first tax return
17 claiming exemption under this section.

18 **Subpart C -- Sales and Use Tax Exemption on Consumables**

19 NEW SECTION. **Sec. 212.** A new section is added to chapter 82.08
20 RCW to read as follows:

21 (1) The tax levied by RCW 82.08.020 does not apply to sales to a
22 manufacturer or processor for hire, located within a community
23 empowerment zone, of chemicals and materials used directly in a
24 manufacturing operation or research and development operation, but only
25 when the purchaser provides the seller with an exemption certificate in
26 a form and manner prescribed by the department by rule, and the
27 purchaser provides the department with a duplicate of the certificate
28 or a summary of exempt sales as the department may require. The seller
29 shall retain a copy of the certificate for the seller's files.

30 (2) As used in this section and section 213 of this act:

31 (a) "Chemicals" means a catalyst, solvent, water, acid, oil, or
32 other additive that physically or chemically interacts or comes in
33 contact with the product and that is an integral and necessary part of
34 the manufacturing, assembling, processing, fabricating, or research and
35 development operation;

36 (b) "Cogeneration" has the same meaning as in RCW 82.08.02565;

1 (c) "Community empowerment zone" has the same meaning as in section
2 101 of this act;

3 (d) "Machinery and equipment" has the same meaning as in RCW
4 82.08.02565;

5 (e) "Manufacturing operation" has the same meaning as in RCW
6 82.08.02565;

7 (f) "Materials" means an item of tangible personal property used or
8 consumed in and is necessary and integral to a manufacturing,
9 assembling, processing, fabricating, or research and development
10 operation including, but not limited to lubricating and compounding
11 oils, grease, filtering materials, and refrigerants;

12 (g) "Research and development operation" has the same meaning as in
13 RCW 82.08.02565; and

14 (h) "Used directly" has the same meaning as in RCW 82.08.02565.

15 NEW SECTION. **Sec. 213.** A new section is added to chapter 82.12
16 RCW to read as follows:

17 (1) The provisions of this chapter do not apply in respect to the
18 use by a manufacturer or processor for hire, located within a community
19 empowerment zone, of chemicals and materials used directly in a
20 manufacturing operation or research and development operation, but only
21 when the user provides the department with:

22 (a) An exemption certificate in a form and manner prescribed by the
23 department within sixty days of the first use of the chemicals and
24 materials in the community empowerment zone; or

25 (b) An annual summary listing the chemicals and materials by
26 January 31st of the year following the calendar year in which the
27 chemicals and materials are first used in the community empowerment
28 zone.

29 (2) The definitions in section 212 of this act apply to this
30 section.

31 **Subpart D -- International Services Employment Tax Credit**

32 NEW SECTION. **Sec. 214.** A new section is added to chapter 82.04
33 RCW to read as follows:

34 (1) There may be credited against the tax imposed by this chapter,
35 an amount equal to one thousand dollars per qualified employment
36 position, by a business that is:

- 1 (a) Located within a community empowerment zone; and
2 (b) Engaged in the business of providing international services.
- 3 (2) In order to claim the credit under this section, at least ten
4 percent of the qualified employment positions must be filled with
5 applicants who reside, at the time of application and for a period of
6 six months after employment, in a community empowerment zone.
- 7 (3) A business may not use the tax credit to relocate existing jobs
8 from any jurisdiction in the state to a community empowerment zone.
- 9 (4) The annual credit allowed under this section shall be limited
10 to the amount of tax imposed by this chapter.
- 11 (5) The department shall keep a running total of all credits
12 granted under this section and section 215 of this act during each
13 fiscal biennium. The department shall not allow any credits that would
14 cause the tabulation for a biennium to exceed five million dollars. If
15 all or part of an application for credit is disallowed under this
16 subsection, the disallowed portion shall be carried over for approval
17 the next biennium. However, the businesses' carryover into the next
18 biennium is only permitted if the tabulation for the next biennium does
19 not exceed five million dollars as of the date on which the department
20 has disallowed the application.
- 21 (6) As used in this section:
- 22 (a) "Community empowerment zone" has the same meaning as in section
23 101 of this act;
- 24 (b) "International services" means a business that:
- 25 (i) Either:
- 26 (A) Provides services directly related to the delivery of goods or
27 services outside the United States or directly related to property
28 located outside the United States; or
- 29 (B) Provides services to or on behalf of persons residing outside
30 the United States; and
- 31 (ii) Is subject to taxation under RCW 48.14.020 or 82.04.290 (1) or
32 (2); and
- 33 (c) "Qualified employment position" means a permanent full-time
34 employee employed by the business providing the international service.

35 NEW SECTION. **Sec. 215.** A new section is added to chapter 48.14
36 RCW to read as follows:

1 (1) There may be credited against the tax imposed under RCW
2 48.14.020, an amount equal to one thousand dollars per qualified
3 employment position, by a business that is:

4 (a) Located within a community empowerment zone; and

5 (b) Engaged in the business of providing international services.

6 (2) In order to claim the credit under this section, at least ten
7 percent of the qualified employment positions must be filled with
8 applicants who reside, at the time of application and for a period of
9 six months after employment, in a community empowerment zone.

10 (3) A business may not use the tax credit to relocate existing jobs
11 from any jurisdiction in the state to a community empowerment zone.

12 (4) The annual credit allowed under this section shall be limited
13 to the amount of tax imposed by this chapter.

14 (5) The department shall keep a running total of all credits
15 granted under this section and section 214 of this act during each
16 fiscal biennium. The department shall not allow any credits that would
17 cause the tabulation for a biennium to exceed five million dollars. If
18 all or part of an application for credit is disallowed under this
19 subsection, the disallowed portion shall be carried over for approval
20 the next biennium. However, the businesses' carryover into the next
21 biennium is only permitted if the tabulation for the next biennium does
22 not exceed five million dollars as of the date on which the department
23 has disallowed the application.

24 (6) As used in this section:

25 (a) "Community empowerment zone" has the same meaning as in section
26 101 of this act;

27 (b) "International services" has the same meaning as in section 214
28 of this act; and

29 (c) "Qualified employment position" has the same meaning as in
30 section 214 of this act.

31 NEW SECTION. **Sec. 216.** A new section is added to chapter 82.04
32 RCW to read as follows:

33 (1) In computing tax there may be deducted from the measure of tax
34 amounts derived from sales to businesses engaged in providing direct
35 international services, if the qualified supportive business is located
36 in a community empowerment zone.

37 (2) As used in this section:

1 (a) "Community empowerment zone" has the same meaning as in section
2 101 of this act;

3 (b) "International services" has the same meaning as in section 214
4 of this act; and

5 (c) "Qualified supportive business" means a business that provides
6 goods or supplies to a business engaged in providing international
7 services.

8 **PART III -- COMMUNITY EMPOWERMENT PROJECT FINANCING**

9 **Subpart A -- Excise Tax Increment Financing**

10 NEW SECTION. **Sec. 301.** It is the purpose of the legislature with
11 this chapter to provide for the allocation of a portion of state and
12 local retail sales and use taxes for a limited period of time to assist
13 in the financing of needed health and safety improvements, public
14 improvements, and other public investments in community empowerment
15 zones that are needed to encourage private development.

16 NEW SECTION. **Sec. 302.** The definitions in this section apply
17 throughout this chapter unless the context clearly requires otherwise.

18 (1) "Community empowerment project" means:

19 (a) Health and safety improvements authorized to be publicly
20 financed under chapter 35.80 or 35.81 RCW;

21 (b) Publicly owned or leased facilities in a community empowerment
22 zone that the local government has authority to provide; and

23 (c) Expenditure for any of the following purposes:

24 (i) Providing professional management, planning, and promotion
25 within the community empowerment zone, including the management and
26 promotion of retail trade activities in the community empowerment zone;

27 (ii) Providing funds to mitigate the negative impacts on a
28 community empowerment zone caused by the siting of a major publicly
29 financed facility;

30 (iii) Providing maintenance and security for common or public areas
31 in the community empowerment zone; or

32 (iv) Historic preservation activities authorized under RCW
33 35.21.395.

34 (2) "Community empowerment project costs" mean: Costs of design,
35 planning, acquisition, site preparation, construction, reconstruction,
36 rehabilitation, improvement, operation, and installation of the

1 community empowerment project; costs of relocation, maintenance, and
2 operation of property pending construction of the community empowerment
3 project; costs of financing, including interest during construction,
4 legal and other professional services, taxes, and insurance; costs of
5 apportioning the taxes and complying with this chapter and other
6 applicable law; and administrative costs reasonably necessary and
7 related to these costs.

8 (3) "Community empowerment project ordinance" means the ordinance
9 passed under section 304 of this act.

10 (4) "Community empowerment zone" has the same meaning as in section
11 101 of this act, and is the geographic area from which excise taxes are
12 to be appropriated to finance community empowerment projects.

13 (5) "Excise taxes" mean: (a) Retail sales taxes levied under
14 chapter 82.08 RCW; (b) local retail sales taxes levied under chapter
15 82.14 RCW, except those taxes levied under RCW 82.14.360; and (c) use
16 taxes levied under chapter 82.12 RCW.

17 (6) "Local government" means a city, code city, or county.

18 (7) "Ordinance" means an appropriate method of taking legislative
19 action by a local government.

20 (8) "Tax allocation revenues" mean those tax revenues allocated to
21 a local government under this chapter.

22 (9) "Taxing district" means a governmental entity that levies an
23 excise tax that is collected within a community empowerment zone.

24 NEW SECTION. **Sec. 303.** (1) Only community empowerment projects
25 that are determined by the legislative authority of the local
26 government to meet the following criteria are eligible to be financed
27 under this chapter:

28 (a) The community empowerment project: (i) Will address a health
29 or safety problem; (ii) will mitigate the negative impacts caused by
30 the siting of a major publicly financed facility; or (iii) is likely to
31 increase the sales and activities of businesses subject to excise taxes
32 located within the community empowerment zone; and

33 (b) Private development that is anticipated to occur within the
34 community empowerment zone as a result of the community empowerment
35 project is consistent with an existing comprehensive land use plan,
36 approved growth policies of the jurisdiction within which it is
37 located, and the five-year community empowerment plan required under
38 RCW 43.63A.700 (as recodified by this act).

1 (2) Apportionment of excise tax revenues to finance the community
2 empowerment project is subject to the following limitations:

3 (a) A community empowerment zone may not be established that
4 includes a geographic area with a previously established apportionment
5 district which has outstanding bonds payable in whole or in part from
6 tax allocation revenues; and

7 (b) Only excise taxes may be appropriated under this chapter.

8 (3) A community empowerment project may be undertaken and
9 coordinated with other programs or efforts undertaken by the local
10 government or others and may be funded in whole or in part from sources
11 other than those provided under this chapter.

12 NEW SECTION. Sec. 304. In order to secure an allocation of excise
13 taxes to finance a community empowerment project, the local government
14 shall:

15 (1) Propose by ordinance a plan for the community empowerment
16 project that includes a description of the contemplated community
17 empowerment project, the estimated cost of the community empowerment
18 project, the boundaries of the community empowerment zone, the
19 estimated period during which tax revenue apportionment is
20 contemplated, and ways in which the local government plans to use tax
21 allocation revenues to finance the community empowerment project;

22 (2) At least fifteen days in advance of a public hearing at which
23 the ordinance is first considered, deliver notice of the hearing to the
24 county treasurer and the state treasurer. The notice shall include a
25 map or drawing showing the location of the contemplated community
26 empowerment project and the boundaries of the community empowerment
27 zone, a brief description of the community empowerment project, the
28 estimated cost of the community empowerment project, the anticipated
29 increase in sales and business activity subject to excise taxes within
30 the community empowerment zone for so long as apportionment is
31 proposed, the location of the local government's principal business
32 office where it will maintain information concerning the community
33 empowerment project for public inspection, and the date and place of
34 the hearing;

35 (3) At the time and place fixed for the hearing under subsection
36 (2) of this section and at such times to which the hearing may be
37 adjourned, receive and consider all statements and materials as may be

1 submitted, and objections and letters filed before and within ten days
2 after the hearing;

3 (4) Within one hundred twenty days after completion of the public
4 hearing, pass an ordinance establishing authorization of the collection
5 of excise tax within the community empowerment zone and authorization
6 of the proposed community empowerment project, including any
7 modifications that in the local government's opinion the hearing
8 indicated should be made, that includes a description of the community
9 empowerment project, the estimated cost of the community empowerment
10 project, the portion of the estimated cost of the community empowerment
11 project to be paid from tax allocation revenues, the estimated time
12 during which the excise taxes are to be apportioned, the date when the
13 apportionment of excise taxes will commence, and a finding that the
14 community empowerment project meets the conditions of section 303 of
15 this act.

16 NEW SECTION. **Sec. 305.** (1) Upon the date established in the
17 ordinance, but not sooner than the first day of the calendar year
18 following the passage of the ordinance, the excise taxes levied upon
19 the sales and business activities within the community empowerment zone
20 subject to taxation shall be divided as follows:

21 (a) That portion of excise taxes collected for a taxing district in
22 each year within a community empowerment zone which is equal to the
23 taxes collected for such taxing district within the community
24 empowerment zone in the year preceding the formation of the
25 apportionment, shall be allocated to and paid to the taxing district;
26 and

27 (b) That portion of the excise taxes collected for a taxing
28 district in each year within a community empowerment zone that is in
29 excess of the excise tax collected in the year preceding the formation
30 of the apportionment district shall be allocated as follows:

31 (i) Fifty percent shall be paid to the local government, or the
32 local government's designated agent, until all community empowerment
33 project costs to be paid from the tax allocation revenues have been
34 paid; and

35 (ii) Fifty percent shall be allocated to the respective taxing
36 districts in proportion to their excise tax levies due for the year in
37 which the funds are returned.

1 (2) The apportionment of excise taxes under this section shall
2 cease when the tax allocation revenues are no longer necessary or
3 obligated to pay community empowerment project costs or to pay
4 principal and interest on bonds issued to finance community empowerment
5 project costs to which tax allocation revenues are pledged. At the
6 time of termination of the apportionment, any excess money and any
7 earnings held by the local government shall be distributed to the
8 taxing districts that were subject to the allocation in proportion to
9 their excise tax receipts due for the year in which the funds are
10 returned.

11 (3) The amount of excise taxes determined to be collected in the
12 year preceding the formation of the community empowerment zone shall be
13 adjusted upward to reflect increases in the rate of taxation.

14 NEW SECTION. Sec. 306. (1) Tax allocation revenues may be applied
15 as follows:

16 (a) To pay community empowerment project costs;

17 (b) To pay into bond funds established to pay the principal and
18 interest on general obligation bonds issued to finance a community
19 empowerment project that is specified in the ordinance and constructed
20 following the establishment of the community empowerment zone; or

21 (c) To pay any combination of (a) and (b) of this subsection.

22 (2) Tax allocation revenues may be pledged to the payment of bonds
23 issued to finance a community empowerment project.

24 NEW SECTION. Sec. 307. This chapter supplements and neither
25 restricts nor limits any powers that the state or a municipal
26 corporation might otherwise have under laws of this state.

27 NEW SECTION. Sec. 308. This chapter may be known and cited as the
28 community empowerment zone financing act.

29 **Subpart B -- Tax Credits for Contributions**

30 NEW SECTION. Sec. 309. The legislature intends with this chapter
31 to promote the channeling of private financial assistance into
32 community empowerment zones by creating a tax incentive for
33 contributions made to nonprofit organizations undertaking community
34 empowerment assistance activities.

1 NEW SECTION. **Sec. 310.** The definitions in this section apply
2 throughout this chapter unless the context clearly requires otherwise.

3 (1) "Affordable housing" has the same meaning as in RCW
4 43.185A.010.

5 (2) "Business firm" means an incorporated or unincorporated
6 business entity authorized to do business in the state of Washington
7 and subject to the state's business and occupation taxes levied in
8 chapter 82.04 RCW.

9 (3) "Community empowerment assistance" means furnishing financial
10 assistance, labor, material, or technical assistance to aid in the
11 provision of affordable housing, community services, crime prevention,
12 education, and job training activities in a community empowerment zone.

13 (4) "Community empowerment zone" has the same meaning as in section
14 101 of this act.

15 (5) "Community service" means any type of counseling and advice,
16 emergency assistance, or medical care furnished to individuals or
17 groups in the community empowerment zone.

18 (6) "Crime prevention" means an activity that aids in the reduction
19 of crime in the community empowerment zone.

20 (7) "Education" means any type of scholastic instruction or
21 scholarship assistance to any person who resides in a community
22 empowerment zone that enables that person to prepare for better
23 employment opportunities.

24 (8) "Job training" means any type of instruction to a person who
25 resides in a community empowerment zone that enables that person to
26 acquire vocational skills to become employable or seek a higher grade
27 of employment.

28 (9) "Nonprofit organization" means a public or private nonprofit
29 organization that: (a) Is organized under federal, state, or local
30 laws; (b) has no part of its net earnings inuring to the benefit of any
31 member, founder, contributor, or individual; and (c) has among its
32 purposes significant activities related to community empowerment
33 assistance activities in a community empowerment zone. The term also
34 includes a public housing authority created under RCW 35.82.030 and a
35 public corporation created under RCW 35.21.730.

36 (10) "Recipient" means the person or business firm receiving tax
37 credits under this chapter.

1 (11) "Tax year" or "taxable year" means either the calendar year or
2 the taxpayer's fiscal year if permission is obtained from the
3 department to use a fiscal year instead of the calendar year.

4 NEW SECTION. **Sec. 311.** The department shall establish a program
5 to provide tax credits to business firms making contributions to
6 nonprofit organizations that are undertaking community empowerment
7 assistance activities. The tax credits may be used as a credit against
8 any of the taxes imposed on the business firm under chapter 82.04 RCW.

9 NEW SECTION. **Sec. 312.** (1) Application for tax credits under this
10 chapter must be made before the actual contribution to the community
11 empowerment assistance activity is made. The application shall be made
12 to the department of community, trade, and economic development in a
13 form and manner prescribed by the department of revenue and the
14 department of community, trade, and economic development.

15 (2) The department of community, trade, and economic development
16 shall transmit a copy of the completed application for tax credits to
17 the department of revenue, with the department of community, trade, and
18 economic development's recommendations, within ten working days after
19 receipt of the application. Within thirty days after receipt of the
20 completed application from the department of community, trade, and
21 economic development, the department of revenue shall determine the
22 amount of tax credits to be allocated to the business firm. The
23 department of revenue shall notify the department of community, trade,
24 and economic development of its decision within ten days.

25 (3) The department of revenue, in consultation with the department
26 of community, trade, and economic development, shall adopt rules
27 specifying the administrative procedures applicable to applicants for
28 tax credits, the form and manner in which the applications shall be
29 filed, and the information to be contained therein. The rules shall
30 apply to administrative procedure before both the department and the
31 department of community, trade, and economic development.

32 NEW SECTION. **Sec. 313.** In order to qualify for the tax credits in
33 section 311 of this act, the community empowerment assistance activity
34 must meet the following requirements:

35 (1) The community empowerment assistance activity must be located
36 in a community empowerment zone;

1 (2) At least seventy percent of the benefits of community
2 empowerment assistance activity must be targeted to residents of the
3 community empowerment zone; and

4 (3) The business firm's contribution must be made to a nonprofit
5 organization that is undertaking approved community empowerment
6 assistance activities.

7 NEW SECTION. **Sec. 314.** (1) A tax credit under this chapter for
8 community empowerment assistance activities may not be issued after
9 December 31, 2005.

10 (2) The department shall grant a credit against the tax due under
11 chapter 82.04 RCW of an amount equal to seventy-five percent of the
12 approved amount contributed by the business firm for eligible community
13 empowerment assistance activities during the taxable year.

14 (3) The tax credit approved under this section shall be taken at a
15 rate of twenty percent per year for the five immediately succeeding
16 taxable years beginning with the taxable year in which the contribution
17 was made.

18 (4) The department shall keep a running total of all tax credits
19 granted under this chapter during each fiscal biennium. The department
20 shall not allow any credits that would cause the tabulation for a
21 biennium to exceed ten million dollars. If all or part of an
22 application for credit is disallowed under this subsection, the
23 disallowed portion shall be carried over for approval the next
24 biennium.

25 (5) A tax credit may not be granted to a bank, bank and trust
26 company, insurance company, trust company, national bank, savings
27 association, or savings and loan association for activities that are a
28 part of its normal course of business.

29 (6) A tax credit may not be granted to a business firm for an
30 amount contributed of less than two hundred fifty dollars.

31 NEW SECTION. **Sec. 315.** Applications and other information
32 received by the department under this chapter is not confidential and
33 is subject to disclosure.

34 NEW SECTION. **Sec. 316.** This chapter may be known and cited as the
35 community empowerment assistance act.

1 **PART IV -- PROPERTY TAX PROVISIONS**

2 **Subpart A -- Tax Exemptions for Commercial Property**

3 NEW SECTION. **Sec. 401.** A new section is added to chapter 84.36
4 RCW to read as follows:

5 (1) A physical improvement to qualified buildings upon real
6 property, that are located in a community empowerment zone, is exempt
7 from taxation for the ten assessment years after the completion of the
8 improvement. A taxpayer desiring to obtain the exemption granted by
9 this section must file notice of its intent to construct the qualified
10 buildings before the construction, expansion, or renovation being made
11 on forms prescribed by the department and furnished to the taxpayer by
12 the county assessor. This assessment cannot be claimed more than once
13 in a fifteen-year period.

14 (2) The department of revenue shall adopt such rules as are
15 necessary to properly administer this section.

16 (3) As used in this section:

17 (a) "Community empowerment zone" has the same meaning as in section
18 101 of this act; and

19 (b) "Qualified buildings" means construction of new structures, and
20 expansion or renovation of existing structures for the purpose of
21 increasing floor space or production capacity used in manufacturing and
22 research and development as defined in RCW 82.60.020 and qualified
23 research and development as defined in RCW 82.63.010.

24 **Subpart B -- Tax Exemptions for Multiunit Dwellings**

25 **Sec. 402.** RCW 84.14.010 and 1995 c 375 s 3 are each amended to
26 read as follows:

27 Unless the context clearly requires otherwise, the definitions in
28 this section apply throughout this chapter.

29 (1) "City" means: (a) A city or town with a population of at least
30 one hundred fifty thousand located in a county planning under the
31 growth management act; or (b) a city or town with a community
32 empowerment zone.

33 (2) "Community empowerment zone" has the same meaning as in section
34 101 of this act.

1 (3) "Governing authority" means the local legislative authority of
2 a city having jurisdiction over the property for which an exemption may
3 be applied for under this chapter.

4 ~~((+3+))~~ (4) "Growth management act" means chapter 36.70A RCW.

5 ~~((+4+))~~ (5) "Multiple-unit housing" means a building having four or
6 more dwelling units not designed or used as transient accommodations
7 and not including hotels and motels. Multifamily units may result from
8 new construction or rehabilitated or conversion of vacant,
9 underutilized, or substandard buildings to multifamily housing.

10 ~~((+5+))~~ (6) "Owner" means the property owner of record.

11 ~~((+6+))~~ (7) "Permanent residential occupancy" means multiunit
12 housing that provides either rental or owner occupancy on a
13 nontransient basis. This includes owner-occupied or rental
14 accommodation that is leased for a period of at least one month. This
15 excludes hotels and motels that predominately offer rental
16 accommodation on a daily or weekly basis.

17 ~~((+7+))~~ (8) "Rehabilitation improvements" means modifications to
18 existing structures, that are vacant for twelve months or longer, that
19 are made to achieve a condition of substantial compliance with existing
20 building codes or modification to existing occupied structures which
21 increase the number of multifamily housing units.

22 ~~((+8+))~~ (9) "Residential targeted area" means an area within an
23 urban center that has been designated by the governing authority as a
24 residential targeted area in accordance with this chapter.

25 ~~((+9+))~~ (10) "Substantial compliance" means compliance with local
26 building or housing code requirements that are typically required for
27 rehabilitation as opposed to new construction.

28 ~~((+10+))~~ (11)(a) "Urban center" means a compact identifiable
29 district where urban residents may obtain a variety of products and
30 services. An urban center must contain:

31 ~~((+a+))~~ (i) Several existing or previous, or both, business
32 establishments that may include but are not limited to shops, offices,
33 banks, restaurants, governmental agencies;

34 ~~((+b+))~~ (ii) Adequate public facilities including streets,
35 sidewalks, lighting, transit, domestic water, and sanitary sewer
36 systems; and

37 ~~((+c+))~~ (iii) A mixture of uses and activities that may include
38 housing, recreation, and cultural activities in association with either
39 commercial or office, or both, use.

1 community empowerment zones. The department of general administration
2 shall adopt administrative rules to implement this section.

3 (2) As used in this section:

4 (a) "Community empowerment zone" has the same meaning as in section
5 101 of this act; and

6 (b) "Small business" means an entity subject to taxation under
7 chapter 82.04 RCW and that has less than fifty full-time employees.
8 The term "small business" also includes a consortium of two or more
9 small businesses.

10 **PART VI -- TECHNICAL PROVISIONS**

11 **Sec. 601.** RCW 82.60.020 and 1996 c 290 s 4 are each amended to
12 read as follows:

13 Unless the context clearly requires otherwise, the definitions in
14 this section apply throughout this chapter.

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

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

18 (3) "Eligible area" means: (a) A county in which the average level
19 of unemployment for the three years before the year in which an
20 application is filed under this chapter exceeds the average state
21 unemployment for those years by twenty percent; (b) a county that has
22 a median household income that is less than seventy-five percent of the
23 state median household income for the previous three years; (c) a
24 metropolitan statistical area, as defined by the office of federal
25 statistical policy and standards, United States department of commerce,
26 in which the average level of unemployment for the calendar year
27 immediately preceding the year in which an application is filed under
28 this chapter exceeds the average state unemployment for such calendar
29 year by twenty percent; (d) a designated community empowerment zone
30 approved under RCW 43.63A.700 (as recodified by this act) or a county
31 containing such a community empowerment zone; (e) a town with a
32 population of less than twelve hundred persons in those counties that
33 are not covered under (a) of this subsection that are timber impact
34 areas as defined in RCW 43.31.601; (f) a county designated by the
35 governor as an eligible area under RCW 82.60.047; or (g) a county that
36 is contiguous to a county that qualifies as an eligible area under (a)
37 or (f) of this subsection.

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

2 (i) An investment project in an eligible area as defined in
3 subsection (3)(a), (b), (c), (e), or (f) of this section; or

4 (ii) That portion of an investment project in an eligible area as
5 defined in subsection (3)(d) or (g) of this section which is directly
6 utilized to create at least one new full-time qualified employment
7 position for each three hundred thousand dollars of investment on which
8 a deferral is requested in an application approved before July 1, 1994,
9 and for each seven hundred fifty thousand dollars of investment on
10 which a deferral is requested in an application approved after June 30,
11 1994.

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

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

18 (i) The department shall consider the entire investment project,
19 including any investment in machinery and equipment that otherwise
20 qualifies for exemption under RCW 82.08.02565 or 82.12.02565, for
21 purposes of determining the portion of the investment project that
22 qualifies for deferral as an eligible investment project; and

23 (ii) The number of new full-time qualified employment positions
24 created by an investment project shall be deemed to be reduced by the
25 number of full-time employment positions maintained by the recipient in
26 any other community in this state that are displaced as a result of the
27 investment project.

28 (d) "Eligible investment project" does not include any portion of
29 an investment project undertaken by a light and power business as
30 defined in RCW 82.16.010(5), other than that portion of a cogeneration
31 project that is used to generate power for consumption within the
32 manufacturing site of which the cogeneration project is an integral
33 part, or investment projects which have already received deferrals
34 under this chapter.

35 (5) "Investment project" means an investment in qualified buildings
36 or qualified machinery and equipment, including labor and services
37 rendered in the planning, installation, and construction of the
38 project.

1 (6) "Manufacturing" means all activities of a commercial or
2 industrial nature wherein labor or skill is applied, by hand or
3 machinery, to materials so that as a result thereof a new, different,
4 or useful substance or article of tangible personal property is
5 produced for sale or commercial or industrial use and shall include the
6 production or fabrication of specially made or custom made articles.
7 "Manufacturing" also includes computer programming, the production of
8 computer software, and other computer-related services, and the
9 activities performed by research and development laboratories and
10 commercial testing laboratories.

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

12 (8) "Qualified buildings" means construction of new structures, and
13 expansion or renovation of existing structures for the purpose of
14 increasing floor space or production capacity used for manufacturing
15 and research and development activities, including plant offices and
16 warehouses or other facilities for the storage of raw material or
17 finished goods if such facilities are an essential or an integral part
18 of a factory, mill, plant, or laboratory used for manufacturing or
19 research and development. If a building is used partly for
20 manufacturing or research and development and partly for other
21 purposes, the applicable tax deferral shall be determined by
22 apportionment of the costs of construction under rules adopted by the
23 department.

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

27 (10) "Qualified machinery and equipment" means all new industrial
28 and research fixtures, equipment, and support facilities that are an
29 integral and necessary part of a manufacturing or research and
30 development operation. "Qualified machinery and equipment" includes:
31 Computers; software; data processing equipment; laboratory equipment;
32 manufacturing components such as belts, pulleys, shafts, and moving
33 parts; molds, tools, and dies; operating structures; and all equipment
34 used to control or operate the machinery.

35 (11) "Recipient" means a person receiving a tax deferral under this
36 chapter.

37 (12) "Research and development" means the development, refinement,
38 testing, marketing, and commercialization of a product, service, or
39 process before commercial sales have begun. As used in this

1 subsection, "commercial sales" excludes sales of prototypes or sales
2 for market testing if the total gross receipts from such sales of the
3 product, service, or process do not exceed one million dollars.

4 **Sec. 602.** RCW 82.60.040 and 1995 1st sp.s. c 3 s 6 are each
5 amended to read as follows:

6 (1) The department shall issue a sales and use tax deferral
7 certificate for state and local sales and use taxes due under chapters
8 82.08, 82.12, and 82.14 RCW on each eligible investment project that:

9 (a) Is located in an eligible area as defined in RCW
10 82.60.020(3)(a), ~~((b))~~ (c), ~~((d), or)~~ (e), or (f);

11 (b) Is located in an eligible area as defined in RCW
12 82.60.020(3)~~((f))~~ (g) if seventy-five percent of the new qualified
13 employment positions are to be filled by residents of a contiguous
14 county that is an eligible area as defined in RCW 82.60.020(3)(a) or
15 ~~((e))~~ (f); or

16 (c) Is located in an eligible area as defined in RCW
17 82.60.020(3)~~((e))~~ (d) if seventy-five percent of the new qualified
18 employment positions are to be filled by residents of a designated
19 community empowerment zone approved under RCW 43.63A.700 (as recodified
20 by this act) located within the county in which the eligible investment
21 project is located.

22 (2) The department shall keep a running total of all deferrals
23 granted under this chapter during each fiscal biennium.

24 **Sec. 603.** RCW 82.62.010 and 1996 c 290 s 5 are each amended to
25 read as follows:

26 Unless the context clearly requires otherwise, the definitions in
27 this section apply throughout this chapter.

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

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

31 (3) "Eligible area" means: (a) A county in which the average level
32 of unemployment for the three years before the year in which an
33 application is filed under this chapter exceeds the average state
34 unemployment for those years by twenty percent; (b) a county that has
35 a median household income that is less than seventy-five percent of the
36 state median household income for the previous three years; (c) a
37 metropolitan statistical area, as defined by the office of federal

1 statistical policy and standards, United States department of commerce,
2 in which the average level of unemployment for the calendar year
3 immediately preceding the year in which an application is filed under
4 this chapter exceeds the average state unemployment for such calendar
5 year by twenty percent; (d) a designated community empowerment zone
6 approved under RCW 43.63A.700 (as recodified by this act); or (e)
7 subcounty areas in those counties that are not covered under (a) of
8 this subsection that are timber impact areas as defined in RCW
9 43.31.601.

10 (4)(a) "Eligible business project" means manufacturing or research
11 and development activities which are conducted by an applicant in an
12 eligible area at a specific facility, provided the applicant's average
13 full-time qualified employment positions at the specific facility will
14 be at least fifteen percent greater in the year for which the credit is
15 being sought than the applicant's average full-time qualified
16 employment positions at the same facility in the immediately preceding
17 year.

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

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

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

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

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

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

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

7 NEW SECTION. **Sec. 604.** (1) Sections 1, 101, and 104 through 108
8 of this act constitute a new chapter in Title 43 RCW.

9 (2) Sections 201 through 204 of this act constitute a new chapter
10 in Title 82 RCW.

11 (3) Sections 205 through 210 of this act constitute a new chapter
12 in Title 74 RCW.

13 (4) Sections 301 through 308 of this act constitute a new chapter
14 in Title 82 RCW.

15 (5) Sections 309 through 316 of this act constitute a new chapter
16 in Title 82 RCW.

17 NEW SECTION. **Sec. 605.** RCW 43.63A.700 and 43.63A.710, as amended
18 by this act, are each recodified as sections in chapter 43.-- RCW
19 (sections 1, 101, and 104 through 108 of this act).

20 NEW SECTION. **Sec. 606.** If any part of this act is found to be in
21 conflict with federal requirements that are a prescribed condition to
22 the allocation of federal funds to the state, the conflicting part of
23 this act is inoperative solely to the extent of the conflict and with
24 respect to the agencies directly affected, and this finding does not
25 affect the operation of the remainder of this act in its application to
26 the agencies concerned. Rules adopted under this act must meet federal
27 requirements that are a necessary condition to the receipt of federal
28 funds by the state.

29 NEW SECTION. **Sec. 607.** If any provision of this act or its
30 application to any person or circumstance is held invalid, the
31 remainder of the act or the application of the provision to other
32 persons or circumstances is not affected.

33 NEW SECTION. **Sec. 608.** Part and subpart headings used in this act
34 are not any part of the law.

1 NEW SECTION. **Sec. 609.** Section 602 of this act expires July 1,
2 2004.

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