

2 **ESHB 2260** - S AMD - 413

3 By Senators T. Sheldon, Rasmussen and Morton

4 ADOPTED 4/15/99

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

7 "NEW SECTION. **Sec. 1.** The legislature finds that while
8 Washington's economy is currently prospering, economic growth continues
9 to be uneven, particularly as between metropolitan and rural areas.
10 This has created in effect two Washingtons: One afflicted by
11 inadequate infrastructure to support and attract investment, another
12 suffering from congestion and soaring housing prices. In order to
13 address these problems, the legislature intends to use resources
14 strategically to build on our state's strengths while addressing
15 threats to our prosperity.

16 **PART I**
17 **LOCAL OPTION SALES AND USE TAX**

18 **Sec. 101.** RCW 82.14.370 and 1998 c 55 s 6 are each amended to read
19 as follows:

20 (1) The legislative authority of a (~~distressed~~) rural county may
21 impose a sales and use tax in accordance with the terms of this
22 chapter. The tax is in addition to other taxes authorized by law and
23 shall be collected from those persons who are taxable by the state
24 under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable
25 event within the county. The rate of tax shall not exceed (~~0.04~~)
26 0.08 percent of the selling price in the case of a sales tax or value
27 of the article used in the case of a use tax.

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

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

1 facility must be listed as an item in the officially adopted county
2 overall economic development plan, or the economic development section
3 of the county's comprehensive plan, or the comprehensive plan of a city
4 or town located within the county for those counties planning under RCW
5 36.70A.040. For those counties that do not have an adopted overall
6 economic development plan and do not plan under the growth management
7 act, the public facility must be listed in the county's capital
8 facilities plan or the capital facilities plan of a city or town
9 located within the county. In implementing this section, the county
10 shall consult with cities, towns, and port districts located within the
11 county. For the purposes of this section, "public facilities" means
12 bridges, roads, domestic and industrial water facilities, sanitary
13 sewer facilities, storm sewer facilities, railroad, electricity,
14 natural gas, buildings, structures, telecommunications infrastructure,
15 transportation infrastructure, or commercial infrastructure, and port
16 facilities in the state of Washington.

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

21 (5) For purposes of this section, "~~((distressed))~~ rural county"
22 means ~~((a county in which the average level of unemployment for the~~
23 ~~three years before the year in which a tax is first imposed under this~~
24 ~~section exceeds the average state unemployment for those years by~~
25 ~~twenty percent))~~ an eligible area as defined in RCW 82.60.020.

26 PART II

27 DISTRESSED COUNTY ASSISTANCE ACCOUNT

28 **Sec. 201.** RCW 82.14.380 and 1998 c 321 s 10 (Referendum Bill No.
29 49) are each amended to read as follows:

30 (1) The distressed county assistance account is created in the
31 state treasury. Into this account shall be placed a portion of all
32 motor vehicle excise tax receipts as provided in RCW 82.44.110. At
33 such times as distributions are made under RCW 82.44.150, the state
34 treasurer shall distribute the funds in the distressed county
35 assistance account to each county imposing the sales and use tax
36 authorized under RCW 82.14.370 as of January 1, 1999, in the same

1 proportions as distributions of the tax imposed under RCW 82.14.370 for
2 these counties for the previous quarter.

3 (2) Funds distributed from the distressed county assistance account
4 shall be expended by the counties for criminal justice and other
5 purposes.

6 **PART III**

7 **TECHNOLOGY-BASED BUSINESSES**

8 **Software**

9 NEW SECTION. **Sec. 301.** It is the intent of the legislature to
10 attract and retain technology-based businesses in distressed counties.
11 Section 302 of this act provides a tax incentive to those businesses
12 that develop or manufacture software in distressed counties. Section
13 303 of this act provides a tax incentive to those businesses that are
14 engaged in the business of providing technical support services from
15 distressed counties. Encouragement of these types of business will
16 stimulate the information technology industry and be of benefit to the
17 state economy in general. To further the impact and benefit of this
18 program, this incentive is limited to those counties of the state that
19 are characterized by unemployment or low income. The legislature finds
20 that providing this targeted incentive will both increase its
21 effectiveness and create a high technology work force in distressed
22 counties.

23 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.04
24 RCW to read as follows:

25 (1) Subject to the limits and provisions of this section, a credit
26 is authorized against the tax otherwise due under this chapter for
27 persons engaged in a distressed county in the business of manufacturing
28 software or programming computers, as those terms are defined in this
29 section.

30 (2) A person who partially or totally relocates a business from one
31 distressed county to another distressed county is eligible for any
32 qualifying new jobs created as a result of the relocation but is not
33 eligible to receive credit for the jobs moved from one county to the
34 other.

1 (3)(a) To qualify for the credit, the qualifying activity of the
2 person must be conducted in a distressed county and the qualified
3 employment position must be located in the distressed county.

4 (b) If an activity is conducted both from a distressed county and
5 outside of a distressed county, the credit is available if at least
6 ninety percent of the qualifying activity takes place within a
7 distressed county. If the qualifying activity is a service taxable
8 activity, the place where the work is performed is the place at which
9 the activity is conducted.

10 (4)(a) The credit under this section shall equal one thousand
11 dollars for each qualified employment position created after July 1,
12 1999, in an eligible area. A credit is earned for the calendar year
13 the person is hired to fill the position. Additionally a credit is
14 earned for each year the position is maintained over the subsequent
15 consecutive years, up to six years. The county must meet the
16 definition of a distressed county at the time the position is filled.
17 If the county does not have a distressed county status the following
18 year or years, the position is still eligible for the remaining years
19 if all other conditions are met.

20 (b) Credit may not be taken for hiring of persons into positions
21 that exist before July 1, 1999. Credit is authorized for new employees
22 hired for new positions created on or after July 1, 1999. New
23 positions filled by existing employees are eligible for the credit
24 under this section only if the position vacated by the existing
25 employee is filled by a new hire. A business that is a sole
26 proprietorship without any employees is equivalent to one employee
27 position and this type of business is eligible to receive credit for
28 one position.

29 (c) If a position is filled before July 1st, this position is
30 eligible for the full yearly credit. If it is filled after June 30th,
31 this position is eligible for half of the credit.

32 (d) A person that has engaged in qualifying activities in the
33 distressed county before the effective date of this section qualifies
34 for the credit under this section for positions created and filled
35 after the effective date of this section.

36 (5) No application is necessary for the tax credit. The person
37 must keep records necessary for the department to verify eligibility
38 under this section. This information includes information relating to
39 description of qualifying activity engaged in the distressed county and

1 outside the distressed county by the person as well as detailed records
2 on positions and employees. The department shall, in consultation with
3 a representative group of affected taxpayers, develop a method of
4 segregating activity and related income so that those persons who
5 engage in multiple activities can determine eligibility for credit
6 under this section.

7 (6) If at any time the department finds that a person is not
8 eligible for tax credit under this section, the amount of taxes for
9 which a credit has been claimed shall be immediately due. The
10 department shall assess interest, but not penalties, on the taxes for
11 which the person is not eligible. The interest shall be assessed at
12 the rate provided for delinquent excise taxes under chapter 82.32 RCW,
13 shall be assessed retroactively to the date the tax credit was taken,
14 and shall accrue until the taxes for which a credit has been used are
15 repaid.

16 (7) The credit under this section may be used against any tax due
17 under this chapter, but in no case may a credit earned during one
18 calendar year be carried over to be credited against taxes incurred in
19 a subsequent calendar year. A person is not eligible to receive a
20 credit under this section if the person is receiving credit for the
21 same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking
22 the credit under section 303 of this act. No refunds may be granted
23 for credits under this section.

24 (8) County eligibility under this section shall be based on the
25 same list as published by the department under chapter 82.60 RCW. The
26 eligibility period is from July 1st of each year to June 30th of the
27 next year.

28 (9) A person taking tax credits under this section shall make an
29 annual report to the department. The report shall be in a letter form
30 and shall include the following information: Number of positions for
31 which credit is being claimed, type of position for which credit is
32 being claimed, type of activity in which the person is engaged in the
33 county, and how long the person has been located in the county. The
34 report must be filed by January 30th of each year for which credit was
35 claimed during the previous year.

36 (10) Transfer of ownership does not affect credit eligibility;
37 however, the credit is available to the successor for remaining periods
38 in the seven years only if the eligibility conditions of this section
39 are met.

1 (11) As used in this section:

2 (a) "Distressed county" means an eligible area as defined in RCW
3 82.60.020.

4 (b) "Manufacturing" means the same as "to manufacture" under RCW
5 82.04.120. Manufacturing includes the activities of both manufacturers
6 and processors for hire.

7 (c) "Programming" means the activities that involve the creation or
8 modification of software, as that term is defined in this chapter, and
9 that are taxable as a service under RCW 82.04.290(2) or as a retail
10 sale under RCW 82.04.050.

11 (d) "Qualifying activity" means manufacturing of software or
12 programming computers.

13 (e) "Qualified employment position" means a permanent full-time
14 position doing programming of software or manufacturing of software.
15 This excludes administrative, professional, service, executive, and
16 other similar positions. If an employee is either voluntarily or
17 involuntarily separated from employment, the employment position is
18 considered filled on a full-time basis if the employer is either
19 training or actively recruiting a replacement employee. Full-time
20 means a position for at least thirty-five hours a week.

21 (f) "Software" has the same meaning as defined in RCW 82.04.215.

22 (12) No credit may be taken or accrued under this section on or
23 after July 1, 2003.

24 (13) This section expires June 30, 2003.

25 **Help Desk Services**

26 NEW SECTION. **Sec. 303.** A new section is added to chapter 82.04
27 RCW to read as follows:

28 (1) Subject to the limits and provisions of this section, a credit
29 is authorized against the tax otherwise due under this chapter for
30 persons engaged in a distressed county in the business of providing
31 information technology help desk services to third parties.

32 (2) To qualify for the credit, the help desk services must be
33 conducted from a distressed county.

34 (3)(a) For the first eighty-four months in which the person is
35 engaged in the activity of providing information technology help desk
36 services in the distressed county, the amount of the credit shall be
37 equal to one hundred percent of the amount of tax due under this

1 chapter that is attributable to providing the services from the
2 distressed county. In order to qualify for the credit under this
3 subsection (3)(a), the county must meet the definition of "distressed
4 county" at the time the person begins to conduct qualifying business in
5 the county. If the county subsequently does not qualify for distressed
6 county status, the person may continue to take the credit for the
7 remaining time in the eighty-four months if all other conditions are
8 met. A person who locates in a county during a period of time for
9 which the county does not meet the distressed county status is not
10 eligible to receive the credit under this subsection (3)(a).

11 (b) A person who is not eligible for the credit under (a) of this
12 subsection is potentially eligible for credit under this subsection
13 (3)(b). If the person is engaged in the activity of providing
14 information technology help desk services in a distressed county, the
15 amount of the credit shall equal sixty-eight percent of the amount of
16 tax due under this chapter that is attributable to providing the
17 service from the distressed county. In order to qualify for the credit
18 under this subsection, the county must meet the definition of
19 "distressed county" during the period of time for which the credit is
20 being claimed. A person is not eligible for a credit under this
21 subsection (3)(b) for activity conducted during any period of time the
22 county does not have a distressed county status.

23 (c) A person who has engaged in providing information technology
24 help desk services in the distressed county before the effective date
25 of this section qualifies for the credit under (a) of this subsection
26 for any remaining time in the eighty-four months, after which time the
27 person is potentially eligible for the credit under (b) of this
28 subsection. A person who has engaged in providing information
29 technology help desk services in the distressed county before the
30 effective date of this section for more than eighty-four months is
31 potentially eligible for the credit under (b) of this subsection.

32 (4) No application is necessary for the tax credit. The person
33 must keep records necessary for the department to verify eligibility
34 under this section. These records include information relating to
35 description of activity engaged in a distressed county by the person.

36 (5) If at any time the department finds that a person is not
37 eligible for tax credit under this section, the amount of taxes for
38 which a credit has been used is immediately due. The department shall
39 assess interest, but not penalties, on the credited taxes for which the

1 person is not eligible. The interest shall be assessed at the rate
2 provided for delinquent excise taxes under chapter 82.32 RCW, shall be
3 assessed retroactively to the date the tax credit was taken, and shall
4 accrue until the taxes for which a credit has been used are repaid.

5 (6) The credit under this section may be used against any tax due
6 under this chapter, but in no case may a credit earned during one
7 calendar year be carried over to be credited against taxes incurred in
8 a subsequent calendar year. A person is not eligible to receive a
9 credit under this section if the person is receiving credit under
10 section 302 of this act or RCW 82.04.44525 or chapter 82.62 RCW. No
11 refunds may be granted for credits under this section.

12 (7) County eligibility under this section shall be based on the
13 same list as published by the department under chapter 82.60 RCW. The
14 eligibility period is from July 1st of each year to June 30th of the
15 next year.

16 (8) A person taking tax credits under this section shall make an
17 annual report to the department. The report shall be in a letter form
18 and shall include the following information: Type of activity in which
19 the person is engaged in the county, number of employees in the
20 distressed county, and how long the person has been located in the
21 county. The report must be filed by January 30th of each year for
22 which credit was claimed during the previous year.

23 (9) Transfer of ownership does not affect credit eligibility;
24 however, the credit is available to the successor only if the
25 eligibility conditions of this section are met.

26 (10) As used in this section:

27 (a) "Distressed county" means an eligible area as defined in RCW
28 82.60.020.

29 (b) "First eighty-four months" means the eighty-four months of
30 operation in a county following commencement of business activity.
31 Business activity is deemed to commence upon the act of engaging in the
32 business of providing the help desk services from the county.

33 (c) "Information technology help desk services" means the following
34 inbound technical or customer support services performed using
35 electronic and telephonic communication:

36 (i) Hardware and software maintenance;

37 (ii) Hardware and software diagnostics and troubleshooting;

38 (iii) Hardware and software installation;

39 (iv) Hardware and software repair;

- 1 (v) Hardware and software information and training; and
2 (vi) Hardware and software upgrade.
3 (11) No credit may be taken or accrued under this section on or
4 after July 1, 2003.
5 (12) This section expires June 30, 2003.

6 NEW SECTION. **Sec. 304.** A new section is added to chapter 82.62
7 RCW to read as follows:

- 8 (1) A person is not eligible to receive a credit under this chapter
9 if the person is receiving credit for the same position under section
10 302 of this act or RCW 82.04.44525 or is receiving a credit under
11 section 303 of this act.
12 (2) This section expires June 30, 2003.

13 NEW SECTION. **Sec. 305.** The following acts or parts of acts are
14 each repealed:

- 15 (1) RCW 82.60.045 (Eligible projects--Additional requirements) and
16 1995 1st sp.s. c 3 s 7 & 1994 sp.s. c 1 s 4; and
17 (2) RCW 82.60.047 (Governor designation of county as eligible
18 area--Natural disaster, business closure, military base closure, mass
19 layoff) and 1994 sp.s. c 1 s 9.

20 **PART IV**
21 **ELECTRIC UTILITIES**

22 NEW SECTION. **Sec. 401.** The legislature finds that it is necessary
23 to employ multiple approaches to revitalize the economy of Washington
24 state's rural areas. The legislature also finds that where possible,
25 Washington state should develop programs which can complement other
26 private, state, and federal programs. It is the intent of section 402
27 of this act to complement such rural economic development efforts by
28 creating a public utility tax offset program to help establish locally
29 based electric utility revolving fund programs to be used for economic
30 development and job creation.

31 NEW SECTION. **Sec. 402.** A new section is added to chapter 82.16
32 RCW to read as follows:

- 33 (1) The following definitions apply to this section:

1 (a) "Qualifying project" means a project designed to achieve job
2 creation or business retention, to add or upgrade nonelectrical
3 infrastructure, to add or upgrade health and safety facilities, to
4 accomplish energy and water use efficiency improvements, including
5 renewable energy development, or to add or upgrade emergency services
6 in any designated qualifying rural area.

7 (b) "Qualifying rural area" means:

8 (i) An eligible area as defined in RCW 82.60.020; or

9 (ii) Any geographic area in the state that receives electricity
10 from a light and power business with twelve thousand or fewer customers
11 with fewer than twenty-six meters per mile of distribution line as
12 determined and published by the department of revenue effective July
13 1st of each year. The department shall use current data provided by
14 the electricity industry.

15 (c) "Electric utility rural economic development revolving fund"
16 means a fund devoted exclusively to funding qualifying projects in
17 qualifying rural areas.

18 (d) "Local board" is a board of directors with at least, but not
19 limited to, three members representing local businesses and community
20 groups who have been appointed by the sponsoring electric utility to
21 oversee and direct the activities of the electric utility rural
22 economic development revolving fund.

23 (2) A light and power business with fewer than twenty-six active
24 meters per mile of distribution line in any geographic area in the
25 state shall be allowed a credit against taxes due under this chapter in
26 an amount equal to fifty percent of contributions made in any calendar
27 year directly to an electric utility rural economic development
28 revolving fund. The credit shall be taken in a form and manner as
29 required by the department. The credit under this section shall not
30 exceed twenty-five thousand dollars per calendar year per light and
31 power business. The credit may not exceed the tax that would otherwise
32 be due under this chapter. Refunds shall not be granted in the place
33 of credits. Expenditures not used to earn a credit in one calendar
34 year may not be used to earn a credit in subsequent years.

35 (3) The right to earn tax credits under this section expires
36 December 31, 2005.

37 (4) To qualify for the credit in subsection (2) of this section,
38 the light and power business shall establish an electric utility rural
39 economic development revolving fund which is governed by a local board

1 whose members shall reside in the qualifying rural area served by the
2 light and power business. The local board shall have authority to
3 determine all criteria and conditions for the expenditure of funds from
4 the electric utility rural economic development fund, and for the terms
5 and conditions of repayment.

6 (5) Any funds repaid to the electric utility rural economic
7 development fund by recipients shall be made available for additional
8 qualifying projects.

9 (6) If at any time the electric utility rural economic development
10 fund is dissolved, any moneys claimed as a tax credit under this
11 section shall either be granted to a qualifying project or refunded to
12 the state within two years of termination.

13 (7) The total amount of credits that may be used in any fiscal year
14 shall not exceed three hundred fifty thousand dollars in any fiscal
15 year. The department shall allow the use of earned credits on a first-
16 come, first-served basis. Unused earned credits may be carried over to
17 subsequent years.

18 **PART V**

19 **DISASTER VICTIMS' RELIEF**

20 NEW SECTION. **Sec. 501.** A new section is added to chapter 82.08
21 RCW to read as follows:

22 (1) The tax levied by RCW 82.08.020 shall not apply to sales of
23 labor and services rendered in respect to:

24 (a) The moving of houses out of any landslide area that has been
25 declared as a federal disaster area;

26 (b) The demolition of houses located in a landslide area that has
27 been declared as a federal disaster area; or

28 (c) The removal of debris from a landslide area that has been
29 declared as a federal disaster area.

30 (2) This section expires July 1, 2000.

31 **PART VI**

32 **MISCELLANEOUS**

33 NEW SECTION. **Sec. 601.** Part headings and subheadings used in this
34 act are not any part of the law.

