

2 **ESHB 2260** - S AMD - 476

3 By Senators T. Sheldon, Rasmussen, Swecker and Morton

4 ADOPTED 4/23/99

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, except that for rural
28 counties with population densities between sixty and one hundred
29 persons per square mile, the rate shall not exceed 0.04 percent before
30 January 1, 2000.

31 (2) The tax imposed under subsection (1) of this section shall be
32 deducted from the amount of tax otherwise required to be collected or
33 paid over to the department of revenue under chapter 82.08 or 82.12

1 RCW. The department of revenue shall perform the collection of such
2 taxes on behalf of the county at no cost to the county.

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

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

26 (5) For purposes of this section, "~~((distressed))~~ rural county"
27 means a county ~~((in which the average level of unemployment for the~~
28 ~~three years before the year in which a tax is first imposed under this~~
29 ~~section exceeds the average state unemployment for those years by~~
30 ~~twenty percent))~~ with a population density of less than one hundred
31 persons per square mile as determined by the office of financial
32 management and published each year by the department for the period
33 July 1st to June 30th.

34 **PART II**

35 **DISTRESSED COUNTY ASSISTANCE ACCOUNT**

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

1 (1) The distressed county assistance account is created in the
2 state treasury. Into this account shall be placed a portion of all
3 motor vehicle excise tax receipts as provided in RCW 82.44.110. At
4 such times as distributions are made under RCW 82.44.150, the state
5 treasurer shall distribute the funds in the distressed county
6 assistance account to each county imposing the sales and use tax
7 authorized under RCW 82.14.370 as of January 1, 1999, in the same
8 proportions as distributions of the tax imposed under RCW 82.14.370 for
9 these counties for the previous quarter.

10 (2) Funds distributed from the distressed county assistance account
11 shall be expended by the counties for criminal justice and other
12 purposes.

13 **PART III**

14 **TECHNOLOGY-BASED BUSINESSES**

15 **Software**

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

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

32 (1) Subject to the limits and provisions of this section, a credit
33 is authorized against the tax otherwise due under this chapter for
34 persons engaged in a rural county in the business of manufacturing
35 software or programming, as those terms are defined in this section.

1 (2) A person who partially or totally relocates a business from one
2 rural county to another rural county is eligible for any qualifying new
3 jobs created as a result of the relocation but is not eligible to
4 receive credit for the jobs moved from one county to the other.

5 (3)(a) To qualify for the credit, the qualifying activity of the
6 person must be conducted in a rural county and the qualified employment
7 position must be located in the rural county.

8 (b) If an activity is conducted both from a rural county and
9 outside of a rural county, the credit is available if at least ninety
10 percent of the qualifying activity takes place within a rural county.
11 If the qualifying activity is a service taxable activity, the place
12 where the work is performed is the place at which the activity is
13 conducted.

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

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

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

36 (d) A person that has engaged in qualifying activities in the rural
37 county before the effective date of this section qualifies for the
38 credit under this section for positions created and filled after the
39 effective date of this section.

1 (5) No application is necessary for the tax credit. The person
2 must keep records necessary for the department to verify eligibility
3 under this section. This information includes information relating to
4 description of qualifying activity engaged in the rural county and
5 outside the rural county by the person as well as detailed records on
6 positions and employees. The department shall, in consultation with a
7 representative group of affected taxpayers, develop a method of
8 segregating activity and related income so that those persons who
9 engage in multiple activities can determine eligibility for credit
10 under this section.

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

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

28 (8) 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 (9) Transfer of ownership does not affect credit eligibility;
37 however, the credit is available to the successor for remaining periods
38 in the five years only if the eligibility conditions of this section
39 are met.

1 (10) As used in this section:

2 (a) "Manufacturing" means the same as "to manufacture" under RCW
3 82.04.120. Manufacturing includes the activities of both manufacturers
4 and processors for hire.

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

9 (c) "Qualifying activity" means manufacturing of software or
10 programming.

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

19 (e) "Rural county" means a county with a population density of less
20 than one hundred persons per square mile as determined by the office of
21 financial management and published each year by the department for the
22 period July 1st to June 30th.

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

24 (11) No credit may be taken or accrued under this section on or
25 after January 1, 2004.

26 (12) This section expires December 31, 2003.

27

Help Desk Services

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

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

34 (2) To qualify for the credit, the help desk services must be
35 conducted from a rural county.

36 (3) The amount of the tax credit for persons engaged in the
37 activity of providing information technology help desk services in

1 rural counties shall be equal to one hundred percent of the amount of
2 tax due under this chapter that is attributable to providing the
3 services from the rural county. In order to qualify for the credit
4 under this subsection, the county must meet the definition of rural
5 county at the time the person begins to conduct qualifying business in
6 the county.

7 (4) No application is necessary for the tax credit. The person
8 must keep records necessary for the department to verify eligibility
9 under this section. These records include information relating to
10 description of activity engaged in a rural county by the person.

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

19 (6) The credit under this section may be used against any tax due
20 under this chapter, but in no case may a credit earned during one
21 calendar year be carried over to be credited against taxes incurred in
22 a subsequent calendar year. No refunds may be granted for credits
23 under this section.

24 (7) A person taking tax credits under this section shall make an
25 annual report to the department. The report shall be in a letter form
26 and shall include the following information: Type of activity in which
27 the person is engaged in the county, number of employees in the rural
28 county, and how long the person has been located in the county. The
29 report must be filed by January 30th of each year for which credit was
30 claimed during the previous year.

31 (8) Transfer of ownership does not affect credit eligibility;
32 however, the credit is available to the successor only if the
33 eligibility conditions of this section are met.

34 (9) As used in this section:

35 (a) "Information technology help desk services" means the following
36 services performed using electronic and telephonic communication:

37 (i) Software and hardware maintenance;

38 (ii) Software and hardware diagnostics and troubleshooting;

39 (iii) Software and hardware installation;

- 1 (iv) Software and hardware repair;
2 (v) Software and hardware information and training; and
3 (vi) Software and hardware upgrade.

4 (b) "Rural county" means a county with a population density of less
5 than one hundred persons per square mile, as determined by the office
6 of financial management and published each year by the department for
7 the period July 1st to June 30th.

8 (10) This section expires December 31, 2003.

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

11 (1) A person is not eligible to receive a credit under this chapter
12 if the person is receiving credit for the same position under section
13 303 of this act or RCW 82.04.44525.

14 (2) This section expires December 31, 2003.

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

17 (1) RCW 82.60.045 (Eligible projects--Additional requirements) and
18 1995 1st sp.s. c 3 s 7 & 1994 sp.s. c 1 s 4; and

19 (2) RCW 82.60.047 (Governor designation of county as eligible
20 area--Natural disaster, business closure, military base closure, mass
21 layoff) and 1994 sp.s. c 1 s 9.

22 **PART IV**
23 **ELECTRIC UTILITIES**

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

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

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

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

8 (b) "Qualifying rural area" means:

9 (i) A rural county, which is a county with a population density of
10 less than one hundred persons per square mile as determined by the
11 office of financial management and published each year by the
12 department for the period July 1st to June 30th; or

13 (ii) Any geographic area in the state that receives electricity
14 from a light and power business with twelve thousand or fewer customers
15 and with fewer than twenty-six meters per mile of distribution line as
16 determined and published by the department of revenue effective July
17 1st of each year. The department shall use current data provided by
18 the electricity industry.

19 (c) "Electric utility rural economic development revolving fund"
20 means a fund devoted exclusively to funding qualifying projects in
21 qualifying rural areas.

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

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

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

3 (4) To qualify for the credit in subsection (2) of this section,
4 the light and power business shall establish an electric utility rural
5 economic development revolving fund which is governed by a local board
6 whose members shall reside in the qualifying rural area served by the
7 light and power business. The local board shall have authority to
8 determine all criteria and conditions for the expenditure of funds from
9 the electric utility rural economic development fund, and for the terms
10 and conditions of repayment.

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

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

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

23

PART V

24

DISASTER VICTIMS' RELIEF

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

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

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

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

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

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

PART VI
MISCELLANEOUS

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

NEW SECTION. **Sec. 602.** Section 501 of this act applies retroactively to March 1, 1998.

NEW SECTION. **Sec. 603.** Section 501 of this act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately.

NEW SECTION. **Sec. 604.** Sections 1, 101, 201, 301 through 305, 401, 402, 601, and 605 of this act take effect August 1, 1999.

NEW SECTION. **Sec. 605.** Section 305 of this act does not affect any existing right acquired or liability or obligation under the sections repealed in section 305 of this act or any rule or order adopted under those sections, nor does it affect any proceeding instituted under those sections.

NEW SECTION. **Sec. 606.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected."

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ADOPTED 4/23/99

On page 1, line 1 of the title, after "counties;" strike the remainder of the title and insert "amending RCW 82.14.370 and 82.14.380; adding new sections to chapter 82.04 RCW; adding a new section to chapter 82.62 RCW; adding a new section to chapter 82.16 RCW; adding a new section to chapter 82.08 RCW; creating new sections;

- 1 repealing RCW 82.60.045 and 82.60.047; providing an effective date;
- 2 providing expiration dates; and declaring an emergency."

--- END ---