

# HOUSE BILL REPORT

## HB 1479

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**As Reported By House Committee On:**  
Economic Development, Housing & Trade

**Title:** An act relating to encouraging job opportunities in rural areas of the state by providing excise tax incentives for technology businesses and by providing increased taxing authority for distressed counties.

**Brief Description:** Providing tax incentives to encourage job opportunities in rural areas of the state.

**Sponsors:** Representatives Van Luven, Haigh, Morris, Ruderman, Kessler, Hatfield, Murray, Rockefeller, Kenney, McIntire and Lovick; by request of Governor Locke.

**Brief History:**

**Committee Activity:**

Economic Development, Housing & Trade: 2/18/99, 3/2/99 [DPS].

### Brief Summary of Substitute Bill

- Provides a B&O tax credit of \$1,000 per job for new software manufacturing or software programming jobs created in distressed counties.
- Provides a B&O tax credit to businesses located in distressed counties that provide information technology "help desk" services to third parties.

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### HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING & TRADE

**Majority Report:** The substitute bill be substituted therefore and the substitute bill do pass. Signed by 12 members: Representatives Van Luven, Republican Co-Chair; Veloria, Democratic Co-Chair; Dunn, Republican Vice Chair; Eickmeyer, Democratic Vice Chair; Ballasiotes; Gombosky; Miloscia; Morris; Radcliff; Skinner; D. Sommers and Wolfe.

**Staff:** Kenny Pittman (786-7392).

**Background:**

Washington has developed various incentives that are designed to assist in job creation or retention in economically distressed areas. Eligibility for the various tax incentive programs are usually limited to businesses in manufacturing, research and development, or computer-related service industries. There are currently seven categories of eligibility for distressed area tax incentives. These include retail sales and use tax and/or business and occupation tax relief programs.

The business and occupation (B&O) tax is levied on the gross proceeds of sale or the gross income of a business, without any deduction for the cost of doing business. The tax rate varies depending on the classification of the business activity.

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**Summary of Substitute Bill:**

A \$1,000 per job B&O tax credit is provided for new manufacturing or software programming jobs created by firms in a distressed county after July 1, 1999. The tax credit is available to the firm if the activity is conducted in a distressed county and the employment position is located in a distressed county. The tax credit may be taken annually for a period up to six consecutive years if the employment position is maintained. A distressed county is defined as: (i) a county with an average unemployment rate that exceeds the state's average unemployment rate for the same three-year period by 20 percent; or (ii) a county with a median household income that is less than 75 percent of the state median household income for the previous three years.

A B&O tax credit is provided to businesses in distressed counties that provide information technology help desk services to third parties. The tax credit is equal to 100 percent of the firm's B&O tax liability for the first seven years of operation and 68 percent of the tax liability, thereafter, if the county retains its distressed county status. An existing firm located in a distressed county can take the credit if they have been in business less than seven years. A distressed county is defined as: (i) a county with an average unemployment rate that exceeds the state's average unemployment rate for the same three-year period by 20 percent; or (ii) a county with a median household income that is less than 75 percent of the state median household income for the previous three years.

**Substitute Bill Compared to Original Bill:** The substitute removed the provisions regarding the increase in the distressed county local sales and use tax credit from 0.04 percent to 0.08 percent.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect July 1, 1999.

**Testimony For:** Distressed rural counties are still facing severe problems while overall the state's economy is growing. There is a need for additional incentives to encourage the growth to go into distressed rural counties. This bill provides rural counties with another tool to attract jobs to the area.

**Testimony Against:** None.

**Testified:** (In support) Representative Kessler, sponsor; Marty Brown, Rick Mattoon, and Jennifer Jolly, Governor's Office; Fred Kiga, Department of Revenue; Tim Douglas, Department of Community, Trade, and Economic Development; Terry Brewer, Grant County Economic Development Council; Bo Wandell, Safe Harbor Technology, Corporation and Jim Potts.

(In support with concerns) Representative Mulliken.