

February 18, 1999

BILL ANALYSIS

TO: Members, Committee on Economic Development, Housing & Trade
FROM: Kenny Pittman, Research Analyst (786-7392)
RE: **HB 1481 - providing excise tax incentives for software technology businesses in distressed counties.**

Brief Summary of Bill

- Provides a B&O tax credit of \$1,000 per job for new software manufacturing or software programming jobs in distressed counties.

BACKGROUND:

Washington has developed various incentives that are designed to assist 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 services 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.

SUMMARY:

A \$1,000 per job business and occupation (B&O) tax credit is provided for new software manufacturing or software programming jobs created by firms located 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 firm may not take the tax credit if the firm is also receiving a tax credit under the B&O tax credit for job creation (chapter 82.62 RCW) or the international services tax credit (RCW 82.04.44525).

A distressed county is defined as: (i) a county with an average unemployment rate that exceeds the state 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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and take effect July 1, 1999.