

HOUSE BILL REPORT

SB 5434

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

Title: An act relating to tax credits for international service activities.

Brief Description: Extending the time for designating an eligible area for international services tax credits.

Sponsors: Senators Loveland, Fraser, West, Oke and Rasmussen.

Brief History:

Committee Activity:

Economic Development, Housing & Trade: 3/23/99 [DP].

Brief Summary of Bill

- Extends the deadline to designate a contiguous group of census tracts, by the legislative authority of a city, for the international services tax credit from December 31, 1998 to December 31, 1999.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING & TRADE

Majority Report: 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:

The Community Empowerment Zone Program was created in 1993 in an effort to encourage the targeting of public and private resources to encourage economic revitalization of a geographic area within a local government. A "community empowerment zone" is characterized as having a high unemployment rate and preponderance of lower-income households. Currently there are designated community empowerment zones in Seattle, Tacoma, Yakima, Bremerton, and White

Center in King County. The Department of Community, Trade, and Economic Development is responsible for the administration of the Community Empowerment Zone Program.

In 1998, the Legislature passed E2SHB 2342 which provides a credit against either the business and occupation (B&O) tax or the insurance premiums tax equal to \$3,000 per year for a five year period for each net new job created after July 1, 1998. Eligibility for the tax credit is limited to businesses that are engaged in providing international services and (i) located in a designated community empowerment zone or (ii) located in a contiguous group of census tracts that meet the unemployment and poverty criteria of a community empowerment zone, and which the tracts are located in a city or contiguous group of cities with a population greater than 80,000 that is in a county that does not have a designated community empowerment zone.

The legislation required that the legislative authority of a city or a contiguous group of cities with a population greater than 80,000 that is in a county that does not have a designated community empowerment zone adopt an ordinance that designated a group of census tracts that met the unemployment and poverty criteria. The information was required to be transmitted to the Department of Revenue by December 31, 1998.

"International services" means the provision of a service that is for a person outside the United States or is for use primarily outside the United States.

Summary of Bill:

The deadline by which the legislative authority of a city must pass an ordinance to designate an area for the international services tax credit is extended from December 31, 1998 to December 31, 1999.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: There was some confusion over the eligibility criteria of certain cities that wanted to designate areas for this tax incentive. The extension of the designation deadline gives those cities the opportunity to participate in the program.

Testimony Against: None.

Testified: (Pro) Ron Rosenbloom, Association of Washington Cities.