

Trade & Economic Development

HB 1164

Brief Description: *Modifying distressed area designation.*

Sponsors: *Representatives Eickmeyer, Rockefeller, Woods, Jackley, Lantz, Gombosky, Benson and Haigh.*

Brief Summary of Bill

- *Amends the definition of distressed area– and eligible area– a county that has experienced a loss of more than 3,000 jobs during the previous five-year period due to military base restructuring and where military employment exceeds 15 percent of the total county employment.*
- *Makes businesses in these counties eligible to access specific economic development incentives to create or retain jobs, or expand the skills of an employers existing workforce.*

Hearing Date: *2/2/01*

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

Background:

Washington has developed various incentives designed to assist geographic areas that are experiencing economic distress, due to high unemployment levels or low median household incomes. The goal of these incentives is to create or retain jobs and to diversify the local economy by providing financial or technical assistance to local governments or individual firms.

An economically distressed area may be either an entire county or subarea within a county.

An entire county is eligible where: (1) it is a rural county with a population of less than 100 people per square mile; (2) it has an unemployment rate that is 20 percent higher than the state unemployment rate for the previous three-year period; (3) it has a median household income that is less than 75 percent of the state median household income; (4) it is a metropolitan area with an average unemployment rate that exceeds the average state unemployment rate by 20 percent; or (5) it is designated as a rural natural resources impact area.

A subarea of a county may be eligible for the various incentives where: (1) it has experienced a sudden and severe or long-term loss of employment; (2) it has a minimum population of 5,000 and at least 70 percent of its households have incomes below 80 percent of the county median income; or (3) it is a state-designated community empowerment zone.

Rural Washington Loan Fund (Chapter 43.168 RCW)

The Rural Washington Loan Fund (RWLF) Program was created in 1985 and uses federal Community Development Block Grant funds to make grants to local governments which in turn use the funds to make loans to businesses for the purpose of job creation or retention in economically distressed areas. The RWLF program was designed to allow the state to provide financial assistance to businesses, without violating the state constitutional prohibition on lending of credit. Financial assistance is provided to businesses in the form of low-interest, gap financing– loans for that portion of a project that a business is unable to obtain conventional financing. The maximum loan to a business is \$700,000. The RWLF program is administered by the Department of Community, Trade, and Economic Development.

Tax Deferrals for Investment Projects in Distressed Areas (Chapter 82.60 RCW)

The Deferrals for Investment Projects in Distressed Areas Program was created in 1985 and provides a three-year deferral and eventual exemption from the state and local sales and use tax liability on materials and construction labor used for new or remodeled buildings that are used in manufacturing or research and development activities in economically distressed areas. The Tax Deferrals for Investment Projects in Distressed Areas program is administered by the Department of Revenue.

Business and Occupation Tax Credit for Job Training Services (RCW 82.04.4333)

The Business and Occupation Tax Credit for Job Training was created in 1996 and provides businesses a credit against their business and occupation (B&O) tax liability that is equal to 20 percent of the amount spent on state-approved employee job training. The maximum amount of the B&O tax credit for an individual business cannot exceed \$5,000 per calendar year. The training must be sponsored or provided by the employer and designed to enhance employee job performance. The job training tax credit is limited to

those manufacturing or research and development businesses that are located in economically distressed areas and eligible to defer their sales/use tax liability under the Tax Deferrals for Investment Projects in Distressed Areas. The B&O Tax Credit for Job Services is administered by the Department of Revenue.

Tax Credits for Eligible Business Projects (Chapter 82.62 RCW)

The Tax Credits for Eligible Business Projects Program was created in 1986 and provides manufacturing, research and development, and computer service businesses a credit against their business and occupation (B&O) tax liability for the creation of new jobs in economically distressed areas. The B&O tax credit is equal to \$4,000 per job with annual wages and benefits greater than \$40,000 and \$2,000 per job with annual wages and benefits less than \$40,000. No more than \$15 million may be taken in any biennium by all businesses. The Tax Credit for Eligible Business Projects Program is administered by the Department of Revenue.

Summary of Bill:

The definition of distressed area– and eligible area– is expanded to include a county that has experienced a loss of more than 3,000 jobs during the previous five-year period due to military base restructuring and where military employment exceeds 15 percent of the total employment in the county. A business that is located in a county that meets this definition would be able to access the following economic development incentives: (1) the Rural Washington Loan Fund Program; (2) the Tax Deferrals for Investment Projects in Distressed Areas Program; (3) the Business and Occupation Tax Credit for Job Training Services; and (4) the Tax Credits for Eligible Business Projects Program.

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

Appropriation: *None.*

Fiscal Note: *Available.*