

SENATE BILL REPORT

SB 5094

As Reported By Senate Committee On:
Economic Development & Telecommunications, February 6, 2001
Ways & Means, April 2, 2001

Title: An act relating to sales and use tax exemptions for call centers in distressed areas.

Brief Description: Authorizing sales and use tax exemptions for call centers.

Sponsors: Senators T. Sheldon, Sheahan, Gardner, Honeyford, Hargrove and Costa.

Brief History:

Committee Activity: Economic Development & Telecommunications: 1/24/01, 2/6/01 [DPS].

Ways & Means: 2/22/01, 4/2/01 [DP2S].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5094 be substituted therefor, and the substitute bill do pass.

Signed by Senators T. Sheldon, Chair; B. Sheldon, Vice Chair; Finkbeiner, Haugen, McCaslin and Stevens.

Staff: William Bridges (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5094 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Hewitt, Honeyford, Kohl-Welles, Long, Parlette, Rasmussen, Roach, Sheahan, B. Sheldon, Snyder, Thibaudeau, Winsley and Zarelli.

Staff: David Schumacher (786-7474)

Background: In 1985, the Legislature created a sales and use tax deferral program for businesses that located to a distressed county. Under this program, a manufacturer or research and development company could qualify for a three-year deferral of taxes on machinery and equipment purchases, as well as construction costs, if the business located to a distressed county. The tax deferral program was changed to a tax exemption program in 1994.

In 1993, the Legislature created the community empowerment zone program to encourage public and private reinvestment in designated areas of economically distressed communities.

There are currently five community empowerment zones located in Bremerton, Tacoma, Yakima, Duwamish (King County), and White Center (King County).

In 1999, the Legislature changed the definition of distressed county– to rural county.– A rural county has a population density of less than 100 persons per square mile. Each year, the Office of Financial Management determines which counties are eligible for rural county status. There are currently 31 rural counties.

Summary of Second Substitute Bill: A sales and use tax exemption on machinery and equipment purchases, as well as construction costs, is provided for call centers– that are located in rural counties and community empowerment zones.

Call centers are businesses employing at least 50 employees who are engaged in telecommunications activities involving financial transactions, technical support operations, and customer services.

Second Substitute Bill Compared to Substitute Bill: The second substitute bill removes the sales tax exemption on phone calls. It extends the exemption from new facilities to all facilities.

Substitute Bill Compared to Original Bill: (1) updates reporting requirements to conform with current Department of Revenue practices; (2) simplifies definition of call center; (3) creates an additional sales tax exemption for long-distance and toll telephone calls to and from the center; (4) changes definition of eligible area to cover rural counties and community empowerment zones; and (5) clarifies that exemptions only apply to call centers that begin operation after the effective date of the bill.

Appropriation: None.

Fiscal Note: Requested on January 11, 2001.

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

Testimony For (Economic Development & Telecommunications): Companies can bring jobs, training, and revenue to rural areas. But locating in rural areas can be expensive. For example, the stock of large commercial buildings is low, which requires expensive new construction. In addition, training costs are higher and advanced telecommunications services are expensive or nonexistent. Washington's tax structure also deters many companies from locating to Washington State. This bill will help level the playing field between urban and rural areas as well as between Washington and other states.

Testimony Against (Economic Development & Telecommunications): None.

Testified (Economic Development & Telecommunications): Ron Newbry, Wash. Econ. Dev. Assn (pro); Brian Sterling, Safe Harbor Tech. Corp. (pro); Scott Taylor, Wash. Pub. Ports Assn. (pro); Mike Woodin, AT&T (pro).

Testimony For (Ways & Means): Exemptions for construction and for machinery purchases will lead to business expansion in rural Washington.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): Brian Sterling, Safe Harbor Technology Corp. (pro).