
SENATE BILL 5469

State of Washington

57th Legislature

2001 Regular Session

By Senator T. Sheldon

Read first time 01/24/2001. Referred to Committee on Economic Development & Telecommunications.

1 AN ACT Relating to tax deferrals in rural counties and
2 community empowerment zones; and amending RCW 82.60.010,
3 82.60.020, 82.60.049, 82.62.010, 82.62.030, and 82.62.045.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 82.60.010 and 1985 c 232 s 1 are each amended to read
6 as follows:

7 The legislature finds that there are several areas in the state
8 that are characterized by very high levels of unemployment and
9 poverty. The (~~legislative~~ legislature) legislature further
10 finds that economic stagnation is the primary cause of this high
11 unemployment rate and poverty; that new state policies are
12 necessary in order to promote economic stimulation and new
13 employment opportunities in these (~~distressed~~) rural areas; and
14 that policies providing incentives for economic growth in these
15 (~~distressed~~) rural areas are essential. For these reasons, the
16 legislature hereby establishes a tax deferral program to be
17 effective solely in (~~distressed~~) rural areas and under
18 circumstances where the deferred tax payments are for investments

1 or costs that result in the creation of a specified number of
2 jobs. The legislature declares that this limited program serves the
3 vital public purpose of creating employment opportunities and
4 reducing poverty in the ((~~distressed~~)) rural areas of the state.

5 **Sec. 2.** RCW 82.60.020 and 1999 sp.s. c 9 s 2 are each amended to
6 read as follows:

7 Unless the context clearly requires otherwise, the definitions
8 in this section apply throughout this chapter.

9 (1) "Applicant" means a person applying for a tax deferral
10 under this chapter.

11 (2) "Department" means the department of revenue.

12 (3) "Eligible area" means a rural county ((~~with fewer than one~~
13 ~~hundred persons per square mile as determined annually by the~~
14 ~~office of financial management and published by the department of~~
15 ~~revenue effective for the period July 1st through June 30th~~)) as
16 defined in this section or a designated community empowerment zone
17 approved under RCW 43.31C.020.

18 (4)(a) "Eligible investment project" means an investment
19 project in an eligible area as defined in subsection (3) of this
20 section.

21 (b) The lessor/owner of a qualified building is not eligible
22 for a deferral unless the underlying ownership of the buildings,
23 machinery, and equipment vests exclusively in the same person, or
24 unless the lessor by written contract agrees to pass the economic
25 benefit of the deferral to the lessee in the form of reduced rent
26 payments.

27 (c) "Eligible investment project" does not include any portion
28 of an investment project undertaken by a light and power business
29 as defined in RCW 82.16.010(5), other than that portion of a
30 cogeneration project that is used to generate power for
31 consumption within the manufacturing site of which the
32 cogeneration project is an integral part, or investment projects
33 which have already received deferrals under this chapter.

34 (5) "Investment project" means an investment in qualified
35 buildings or qualified machinery and equipment, including labor
36 and services rendered in the planning, installation, and
37 construction of the project.

1 (6) "Manufacturing" means the same as defined in RCW
2 82.04.120. "Manufacturing" also includes computer programming, the
3 production of computer software, and other computer-related
4 services, and the activities performed by research and development
5 laboratories and commercial testing laboratories.

6 (7) "Person" has the meaning given in RCW 82.04.030.

7 (8) "Qualified buildings" means construction of new structures,
8 and expansion or renovation of existing structures for the purpose
9 of increasing floor space or production capacity used for
10 manufacturing and research and development activities, including
11 plant offices and warehouses or other facilities for the storage
12 of raw material or finished goods if such facilities are an
13 essential or an integral part of a factory, mill, plant, or
14 laboratory used for manufacturing or research and development. If a
15 building is used partly for manufacturing or research and
16 development and partly for other purposes, the applicable tax
17 deferral shall be determined by apportionment of the costs of
18 construction under rules adopted by the department.

19 (9) "Qualified machinery and equipment" means all new
20 industrial and research fixtures, equipment, and support
21 facilities that are an integral and necessary part of a
22 manufacturing or research and development operation. "Qualified
23 machinery and equipment" includes: Computers; software; data
24 processing equipment; laboratory equipment; manufacturing
25 components such as belts, pulleys, shafts, and moving parts;
26 molds, tools, and dies; operating structures; and all equipment
27 used to control or operate the machinery.

28 (10) "Recipient" means a person receiving a tax deferral under
29 this chapter.

30 (11) "Research and development" means the development,
31 refinement, testing, marketing, and commercialization of a
32 product, service, or process before commercial sales have begun.
33 As used in this subsection, "commercial sales" excludes sales of
34 prototypes or sales for market testing if the total gross receipts
35 from such sales of the product, service, or process do not exceed
36 one million dollars.

37 (12) "Rural county" means a county with fewer than one hundred

1 persons per square mile as determined annually by the office of
2 financial management and published by the department of revenue
3 effective for the period July 1st through June 30th.

4 **Sec. 3.** RCW 82.60.049 and 2000 c 106 s 8 are each amended to read
5 as follows:

6 (1) For the purposes of this section:

7 (a) "Eligible area" also means a county containing a designated
8 community empowerment zone approved under RCW (~~(43.63A.700 or a~~
9 ~~county containing a community empowerment zone)~~) 43.31C.020.

10 (b) "Eligible investment project" also means an investment
11 project in an eligible area as defined in this section.

12 (c) "Qualified employment position" means a permanent full-time
13 employee employed in the eligible investment project during the
14 entire year.

15 (2) In addition to the provisions of RCW 82.60.040, the
16 department shall issue a sales and use tax deferral certificate
17 for state and local sales and use taxes due under chapters 82.08,
18 82.12, and 82.14 RCW, on each eligible investment project that is
19 located in an eligible area, if the applicant establishes that at
20 the time the project is operationally complete:

21 (a) The applicant will hire at least one qualified employment
22 position for each seven hundred fifty thousand dollars of
23 investment on which a deferral is requested; and

24 (b) The positions will be filled by persons who at the time of
25 hire are residents of the community empowerment zone. As used in
26 this subsection, "resident" means the person makes his or her home
27 in the community empowerment zone. A mailing address alone is
28 insufficient to establish that a person is a resident for the
29 purposes of this section. The persons must be hired after the date
30 the application is filed with the department.

31 (3) All other provisions and eligibility requirements of this
32 chapter apply to applicants eligible under this section.

33 (4) The qualified employment position must be filled by the end
34 of the calendar year following the year in which the project is
35 certified as operationally complete. If a person does not meet the
36 requirements for qualified employment positions by the end of the

1 second calendar year following the year in which the project is
2 certified as operationally complete, all deferred taxes are
3 immediately due.

4 **Sec. 4.** RCW 82.62.010 and 1999 sp.s. c 9 s 3 are each amended to
5 read as follows:

6 Unless the context clearly requires otherwise, the definitions
7 in this section apply throughout this chapter.

8 (1) "Applicant" means a person applying for a tax credit under
9 this chapter.

10 (2) "Department" means the department of revenue.

11 (3) "Eligible area" means (~~an area~~) a rural county as defined
12 in RCW 82.60.020.

13 (4)(a) "Eligible business project" means manufacturing or
14 research and development activities which are conducted by an
15 applicant in an eligible area at a specific facility, provided the
16 applicant's average full-time qualified employment positions at
17 the specific facility will be at least fifteen percent greater in
18 the year for which the credit is being sought than the applicant's
19 average full-time qualified employment positions at the same
20 facility in the immediately preceding year.

21 (b) "Eligible business project" does not include any portion of
22 a business project undertaken by a light and power business as
23 defined in RCW 82.16.010(5) or that portion of a business project
24 creating qualified full-time employment positions outside an
25 eligible area or those recipients of a sales tax deferral under
26 chapter 82.61 RCW.

27 (5) "Manufacturing" means the same as defined in RCW
28 82.04.120. "Manufacturing" also includes computer programming, the
29 production of computer software, and other computer-related
30 services, and the activities performed by research and development
31 laboratories and commercial testing laboratories.

32 (6) "Person" has the meaning given in RCW 82.04.030.

33 (7) "Qualified employment position" means a permanent full-time
34 employee employed in the eligible business project during the
35 entire tax year.

36 (8) "Tax year" means the calendar year in which taxes are due.

1 (9) "Recipient" means a person receiving tax credits under this
2 chapter.

3 (10) "Research and development" means the development,
4 refinement, testing, marketing, and commercialization of a
5 product, service, or process before commercial sales have begun.
6 As used in this subsection, "commercial sales" excludes sales of
7 prototypes or sales for market testing if the total gross receipts
8 from such sales of the product, service, or process do not exceed
9 one million dollars.

10 **Sec. 5.** RCW 82.62.030 and 1999 c 164 s 306 are each amended to
11 read as follows:

12 (1) A person shall be allowed a credit against the tax due
13 under chapter 82.04 RCW as provided in this section. The credit
14 shall equal: (a) Four thousand dollars for each qualified
15 employment position with wages and benefits greater than forty
16 thousand dollars annually that is directly created in an eligible
17 business and (b) two thousand dollars for each qualified
18 employment position with wages and benefits less than or equal to
19 forty thousand dollars annually that is directly created in an
20 eligible business.

21 (2) The department shall keep a running total of all credits
22 granted under this chapter during each fiscal year. The department
23 shall not allow any credits which would cause the tabulation to
24 exceed seven million five hundred thousand dollars in any fiscal
25 year. If all or part of an application for credit is disallowed
26 under this subsection, the disallowed portion shall be carried
27 over for approval the next fiscal year. However, the applicant's
28 carryover into the next fiscal year is only permitted if the
29 tabulation for the next fiscal year does not exceed the cap for
30 that fiscal year as of the date on which the department has
31 disallowed the application.

32 (3) No recipient may use the tax credits to decertify a union
33 or to displace existing jobs in any (~~community in the state~~)
34 rural county or designated community empowerment zone, approved
35 under RCW 43.31C.020, or displace existing jobs by changing sites
36 within a single county.

1 (4) No recipient may receive a tax credit on taxes which have
2 not been paid during the taxable year.

3 **Sec. 6.** RCW 82.62.045 and 1999 c 164 s 307 are each amended to
4 read as follows:

5 (1) For the purposes of this section "eligible area" also means
6 a designated community empowerment zone approved under RCW
7 (~~43.63A.700~~) 43.31C.020.

8 (2) An eligible business project located within an eligible
9 area as defined in this section qualifies for a credit under this
10 chapter for those employees who at the time of hire are residents
11 of the community empowerment zone in which the project is located,
12 if the fifteen percent threshold is met. As used in this
13 subsection, "resident" means the person makes his or her home in
14 the community empowerment zone. A mailing address alone is
15 insufficient to establish that a person is a resident for the
16 purposes of this section.

17 (3) All other provisions and eligibility requirements of this
18 chapter apply to applicants eligible under this section.

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