

# SENATE BILL REPORT

## SB 5401

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As of February 6, 2011

**Title:** An act relating to authorizing use of sales and use tax proceeds for certain public facilities in innovation partnership zones for economic development purposes.

**Brief Description:** Authorizing use of sales and use tax proceeds for certain public facilities in innovation partnership zones for economic development purposes.

**Sponsors:** Senators Chase, Kastama and McAuliffe.

**Brief History:**

**Committee Activity:** Economic Development, Trade & Innovation: 2/03/11.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

**Staff:** Jack Brummel (786-7428)

**Background:** The Legislature established Innovative Partnership Zones (IPZs) in 2007. IPZs are designated local areas that have research capacity, globally competitive firms in research-based industries, and training capacity. IPZs must have identifiable boundaries within which concentrated efforts will be made to connect innovative researchers, entrepreneurs, investors, industry associations or clusters, and training providers. IPZs are eligible for funds as provided by the Legislature or Governor. IPZs are designated by the Department of Commerce with the advice of the Economic Development Commission. IPZ designation is for a period of four years, which may be renewed through a reapplication process.

Rural counties may impose a local option sales and use tax of up to 0.09 percent. For purposes of the local option tax rural counties are defined as those with a population density of less than 100 persons per square mile, or smaller than 225 square miles. The tax is deducted from the state's 6.5 percent sales tax and, thus, the consumer does not see an increase in the amount of the tax paid.

Revenues from this local option tax may only be used to finance public facilities serving economic development purposes and finance personnel in economic development offices. Public facilities are those listed as an item in an officially adopted county's overall economic development plan, the economic development section of the comprehensive plan, or listed in the capital facilities plan.

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**Summary of Bill:** Public facilities serving economic development purposes include research, testing, training, and incubation facilities in IPZs.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: This is a good use for sales tax proceeds. We are trying to grow an innovation network. This takes no additional revenue from the general fund. We are seeing good success at IPZs. This bill provides us with support and gives an emphasis to IPZs. The Washington Economic Development Commission (WEDC) is a great supporter of the IPZ experiment. Local areas should have flexibility to raise funds and use new tools for financing innovation. Intangible assets should have incentives, too.

**Persons Testifying:** PRO: Senator Chase, prime sponsor; Tim McCarty, Walla Walla IPZ; Egils Milbergs, WEDC.