

SENATE BILL REPORT

SB 5642

As Reported by Senate Committee On:
Agriculture, Water, Trade & Economic Development, February 16, 2017
Ways & Means, April 3, 2017

Title: An act relating to a pilot program that provides incentives for investments in Washington state job creation and economic development.

Brief Description: Concerning a pilot program that provides incentives for investments in Washington state job creation and economic development.

Sponsors: Senators Brown, King, Miloscia, Baumgartner, Bailey, Sheldon, Rivers, Zeiger, Honeyford, Hobbs and Wilson.

Brief History:

Committee Activity: Agriculture, Water, Trade & Economic Development: 2/09/17, 2/16/17 [DP-WM, DNP].
Ways & Means: 3/30/17, 4/03/17 [DPS, DNP, w/oRec].

Brief Summary of Substitute Bill

- Makes the provision of a pilot program that provides a tax deferral on construction and expenditure costs of up to five new manufacturing facilities an annual provision.

SENATE COMMITTEE ON AGRICULTURE, WATER, TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Warnick, Chair; Hawkins, Vice Chair; Wellman, Assistant Ranking Minority Member; Brown, Honeyford, Pearson, Short, Takko and Van De Wege.

Minority Report: Do not pass.

Signed by Senators Chase, Ranking Minority Member; McCoy.

Staff: Greg Vogel (786-7413)

SENATE COMMITTEE ON WAYS & MEANS

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: That Substitute Senate Bill No. 5642 be substituted therefor, and the substitute bill do pass.

Signed by Senators Braun, Chair; Brown, Vice Chair; Rossi, Vice Chair; Honeyford, Vice Chair, Capital Budget ; Bailey, Becker, Fain, Miloscia, Padden, Rivers, Schoesler, Warnick and Zeiger.

Minority Report: Do not pass.

Signed by Senators Ranker, Ranking Minority Member; Rolfes, Assistant Ranking Minority Member, Operating Budget; Frockt, Assistant Ranking Minority Member, Capital Budget; Billig, Carlyle, Darneille, Hasegawa, Keiser and Pedersen.

Minority Report: That it be referred without recommendation.

Signed by Senator Conway.

Staff: Carrie Graf (786-7708)

Background: In 2015, the Invest in Washington pilot program was established to evaluate the effectiveness of providing a tax incentive for businesses that invest in manufacturing facilities and equipment and reinvest those tax savings in employee training programs. The pilot program consists of five qualified industrial facilities, two of which were required to be located in eastern Washington.

Eligible investment projects include up to \$10 million in sales and use tax on construction costs or purchases of qualified machinery and equipment. Amounts paid for the construction of qualified buildings, machinery, and equipment are eligible for a sales and use tax deferral. The recipient of the deferral must begin repaying the deferred taxes five years after the date that the project is operationally complete. There is no interest charged on deferred taxes, and the taxes may be repaid over a ten-year period in equal annual payments.

Deferred taxes, when repaid, are deposited in the Invest in Washington Account. The Invest in Washington Account, administered by the State Board for Community and Technical Colleges, must be used to support customized job training programs, job skills programs, job readiness training, workforce professional development, and to assist employers with state-approved apprenticeship programs for manufacturing and production occupations.

All five projects allowed by statute were approved as of March 2016. The approved projects are located in the following counties: Benton, Pierce, Snohomish, which has two, and Spokane.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (First Substitute): The provision of a tax deferral on construction and expenditure costs of up to two new manufacturing facilities, one of which must be located in eastern Washington and one of which must be located in western Washington, is made an annual provision.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Reduces the number of projects eligible for a deferral from five to two.
- Specifies that the application limit is based on the calendar year, not fiscal year.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Original Bill (Agriculture, Water, Trade & Economic Development): PRO: Unlike requests for business and occupation tax preferences, this bill is a vehicle where the state is not picking winners and losers, because it is a deferral that ultimately goes towards job training. Additionally, this pilot program was great because it was open to the entire state. There were manufacturers that were ready to leave the state but stayed because of the program.

OTHER: The upfront costs of construction are often a barrier to enter the market and this bill addresses the competitive advantage that states with no sales taxes possess.

Persons Testifying (Agriculture, Water, Trade & Economic Development): PRO: Senator Sharon Brown, Prime Sponsor; Eric Lohnes, Association of Washington Business.

OTHER: Chris Green, Dept. of Commerce.

Persons Signed In To Testify But Not Testifying (Agriculture, Water, Trade & Economic Development): No one.

Staff Summary of Public Testimony on First Substitute (Ways & Means): None.

Persons Testifying (Ways & Means): No one.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.