

SENATE BILL REPORT

SB 6344

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 8, 1994

Brief Description: Modifying provisions for tax deferrals for investment projects in distressed areas.

SPONSORS: Senators Snyder, Bluechel, Franklin, Spanel, Owen, Pelz, Hochstatter, Deccio, McAuliffe, Quigley, Hargrove, Sheldon, Sellar, McDonald, Winsley, Moyer and M. Rasmussen; by request of Governor Lowry

SENATE COMMITTEE ON TRADE, TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6344 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Skratek, Chairman; Sheldon, Vice Chairman; Bluechel, Erwin and M. Rasmussen.

Staff: Jack Brummel (786-7428)

Hearing Dates: January 28, 1994; February 3, 1994

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6344 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Bauer, Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, Ludwig, McDonald, Moyer, Pelz, Snyder, Spanel, Talmadge and West.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 7, 1994; February 8, 1994

BACKGROUND:

The distressed area sales and use tax deferral program was enacted in 1985. Under the program, sales and use taxes on construction, machinery and equipment may be deferred for three years following completion of a project. Taxes deferred on construction labor need not be repaid.

SUMMARY:

The existing sales and use tax deferral program for distressed areas is modified. A new project in a distressed area qualifies for deferral even if there is no new construction. An owner of a facility that leases it to another for operation of the project may receive a deferral only if by written

contract the owner agrees to pass the benefit of the deferral on.

Taxes deferred in distressed areas after June 30, 1994 need not be repaid. The deferral program sunsets July 1, 2004.

EFFECT OF PROPOSED SUBSTITUTE:

The sunset date for the deferral program is changed to July 1, 1999.

EFFECT OF PROPOSED SECOND SUBSTITUTE:

A business in a nondistressed county qualifies if it hires 75 percent of the nonqualified employment positions from a distressed county or a neighborhood reinvestment area. This program is extended to the year 2004.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR (Trade, Technology & Economic Development):

This program has been equivalent to an interest free loan. The deferred taxes under this bill would become an exemption and not have to be repaid. The bill will make Washington more competitive for locating branch plants. This bill will encourage capital investment and job creation.

TESTIMONY AGAINST (Trade, Technology & Economic Development): None

TESTIFIED (Trade, Technology & Economic Development): PRO: Len McComb, Department of Revenue; John Thompson, WA Association of Economic Development Councils; Ernie Hensley, Grays Harbor Economic Development Council; Pam Brown, Lewis County Economic Development Council/Forward Washington; Chuck Cline, Port of Bremerton; Scott Taylor, WA Public Ports Association

TESTIMONY FOR (Ways & Means):

This converts the current distressed area deferral program to an exemption. Leased facilities qualify so that firms can use abandoned timber mills with the 25 percent remodeling now required. This is good for geographic diversification.

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): Len McComb, Department of Revenue (pro)