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**SENATE BILL 6583**

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**State of Washington****53rd Legislature****1994 Regular Session****By** Senators Sheldon and Oke

Read first time 02/01/94. Referred to Committee on Trade, Technology & Economic Development.

1       AN ACT Relating to definitions of distressed areas; and amending  
2   RCW 43.165.010, 82.60.020, and 82.62.010.

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

4       **Sec. 1.** RCW 43.165.010 and 1987 c 461 s 1 are each amended to read  
5   as follows:

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

8       (1) "Department" means the department of community, trade, and  
9   economic development.

10      (2) "Director" means the director of the department.

11      (3) "Distressed area" means: (a) A county that has an unemployment  
12   rate that is twenty percent above the state-wide average for the  
13   previous three years; or (b) a community or area that has experienced  
14   sudden and severe or long-term and severe loss of employment, ((or))  
15   erosion of its economic base due to decline of its dominant industries,  
16   or a significant reduction in force of federal department of defense  
17   personnel; or (c) an area within a county which area: (i) Is composed  
18   of contiguous census tracts; (ii) has a minimum population of five  
19   thousand persons; (iii) has at least seventy percent of its families

1 and unrelated individuals with incomes below eighty percent of the  
2 county's median income for families and unrelated individuals; and (iv)  
3 has an unemployment rate which is at least forty percent higher than  
4 the county's unemployment rate. For purposes of this definition,  
5 "families and unrelated individuals" has the same meaning that is  
6 ascribed to that term by the federal department of housing and urban  
7 development in its regulations authorizing action grants for economic  
8 development and neighborhood revitalization projects.

9 (4) "Economic development revolving loan funds" means a local, not-  
10 for-profit or governmentally sponsored business loan program.

11 (5) "Team" means the community revitalization team.

12 (6) "Technical assistance" includes, but is not limited to,  
13 assistance with strategic planning, market research, business plan  
14 development review, organization and management development, accounting  
15 and legal services, grant and loan packaging, and other assistance  
16 which may be expected to contribute to the redevelopment and economic  
17 well-being of a distressed area.

18 **Sec. 2.** RCW 82.60.020 and 1993 sp.s. c 25 s 403 are each amended  
19 to read as follows:

20 Unless the context clearly requires otherwise, the definitions in  
21 this section apply throughout this chapter.

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

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

25 (3) "Eligible area" means: (a) A county in which the average level  
26 of unemployment for the three years before the year in which an  
27 application is filed under this chapter exceeds the average state  
28 unemployment for those years by twenty percent or where thirty percent  
29 or more of total employment is federal department of defense-related  
30 and the department of defense has announced a base closure or  
31 significant reduction in force in the county within the preceding three  
32 years; (b) a metropolitan statistical area, as defined by the office of  
33 federal statistical policy and standards, United States department of  
34 commerce, in which the average level of unemployment for the calendar  
35 year immediately preceding the year in which an application is filed  
36 under this chapter exceeds the average state unemployment for such  
37 calendar year by twenty percent; or (c) a designated neighborhood  
38 reinvestment area approved under RCW 43.63A.700.

1       (4)(a) "Eligible investment project" means that portion of an  
2 investment project which:

3           (i) Is directly utilized to create at least one new full-time  
4 qualified employment position for each three hundred thousand dollars  
5 of investment on which a deferral is requested; and

6           (ii) Either initiates a new operation, or expands or diversifies a  
7 current operation by expanding or renovating an existing building with  
8 costs in excess of twenty-five percent of the true and fair value of  
9 the plant complex prior to improvement; or

10          (iii) Acquires machinery and equipment to be used for either  
11 manufacturing or research and development if the machinery and  
12 equipment is housed in a new leased structure. The lessor/owner of the  
13 structure is not eligible for a deferral unless the underlying  
14 ownership of the buildings, machinery, and equipment vests exclusively  
15 in the same person.

16          (b) "Eligible investment project" does not include any portion of  
17 an investment project undertaken by a light and power business as  
18 defined in RCW 82.16.010(5) or investment projects which have already  
19 received deferrals under this chapter.

20          (5) "Investment project" means an investment in qualified buildings  
21 and qualified machinery and equipment, including labor and services  
22 rendered in the planning, installation, and construction of the  
23 project.

24          (6) "Manufacturing" means all activities of a commercial or  
25 industrial nature wherein labor or skill is applied, by hand or  
26 machinery, to materials so that as a result thereof a new, different,  
27 or useful substance or article of tangible personal property is  
28 produced for sale or commercial or industrial use and shall include the  
29 production or fabrication of specially made or custom made articles.  
30 "Manufacturing" also includes computer programming, the production of  
31 computer software, and other computer-related services, and the  
32 activities performed by research and development laboratories and  
33 commercial testing laboratories.

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

35          (8) "Qualified buildings" means new structures used for  
36 manufacturing and research and development activities, including plant  
37 offices and warehouses or other facilities for the storage of raw  
38 material or finished goods if such facilities are an essential or an  
39 integral part of a factory, mill, plant, or laboratory used for

1 manufacturing or research and development. If a building is used  
2 partly for manufacturing or research and development and partly for  
3 other purposes, the applicable tax deferral shall be determined by  
4 apportionment of the costs of construction under rules adopted by the  
5 department.

6 (9) "Qualified employment position" means a permanent full-time  
7 employee employed in the eligible investment project during the entire  
8 tax year.

9 (10) "Qualified machinery and equipment" means all new industrial  
10 and research fixtures, equipment, and support facilities that are an  
11 integral and necessary part of a manufacturing or research and  
12 development operation. "Qualified machinery and equipment" includes:  
13 Computers; software; data processing equipment; laboratory equipment;  
14 manufacturing components such as belts, pulleys, shafts, and moving  
15 parts; molds, tools, and dies; operating structures; and all equipment  
16 used to control or operate the machinery.

17 (11) "Recipient" means a person receiving a tax deferral under this  
18 chapter.

19 (12) "Research and development" means the development, refinement,  
20 testing, marketing, and commercialization of a product, service, or  
21 process before commercial sales have begun. As used in this  
22 subsection, "commercial sales" excludes sales of prototypes or sales  
23 for market testing if the total gross receipts from such sales of the  
24 product, service, or process do not exceed one million dollars.

25 **Sec. 3.** RCW 82.62.010 and 1993 sp.s. c 25 s 410 are each amended  
26 to read as follows:

27 Unless the context clearly requires otherwise, the definitions in  
28 this section apply throughout this chapter.

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

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

32 (3) "Eligible area" means: (a) A county in which the average level  
33 of unemployment for the three years before the year in which an  
34 application is filed under this chapter exceeds the average state  
35 unemployment for those years by twenty percent or where thirty percent  
or more of total employment is federal department of defense-related  
and the department of defense has announced a base closure or  
significant reduction in force in the county within the preceding three

1   years; (b) a metropolitan statistical area, as defined by the office of  
2   federal statistical policy and standards, United States department of  
3   commerce, in which the average level of unemployment for the calendar  
4   year immediately preceding the year in which an application is filed  
5   under this chapter exceeds the average state unemployment for such  
6   calendar year by twenty percent; (c) a designated neighborhood  
7   reinvestment area approved under RCW 43.63A.700; or (d) subcounty areas  
8   in those counties that are not covered under (a) of this subsection  
9   that are timber impact areas as defined in RCW 43.31.601.

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

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

23      (5) "Manufacturing" means all activities of a commercial or  
24     industrial nature wherein labor or skill is applied, by hand or  
25     machinery, to materials so that as a result thereof a new, different,  
26     or useful substance or article of tangible personal property is  
27     produced for sale or commercial or industrial use and shall include the  
28     production or fabrication of specially made or custom made articles.  
29     "Manufacturing" also includes computer programming, the production of  
30     computer software, and other computer-related services, and the  
31     activities performed by research and development laboratories and  
32     commercial testing laboratories.

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

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

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

38      (9) "Recipient" means a person receiving tax credits under this  
39     chapter.

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

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