

SENATE BILL REPORT

HB 2337

As Reported By Senate Committee On:
Labor, Commerce & Trade, February 22, 1996
Ways & Means, March 7, 1996

Title: An act relating to distressed county designation.

Brief Description: Defining distressed county designation.

Sponsors: Representatives Schoesler, Sheldon, Foreman, Grant, Sheahan, Mastin, Honeyford, Basich, Johnson and Mulliken.

Brief History:

Committee Activity: Labor, Commerce & Trade: 2/22/96 [DPA].
Ways & Means: 3/7/96 [DPA].

SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

Majority Report: Do pass as amended.

Signed by Senators Pelz, Chair; Heavey, Vice Chair; A. Anderson, Deccio, Franklin, Fraser, McDonald, Newhouse and Wojahn.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Drew, Fraser, Hargrove, Hochstatter, Kohl, Long, McDonald, Moyer, Quigley, Roach, Sheldon, Snyder, Spanel, Strannigan, West, Winsley and Wojahn.

Staff: Terry Wilson (786-7433)

Background: The state of Washington has created a series of financial and technical assistance programs to assist distressed areas in responding to high unemployment rates. The programs provide direct financial and technical assistance to create or retain jobs and to diversify the local economy. These programs include: (1) loans or grants under the Community Economic Revitalization Board (CERB) program; (2) loans under the Development Loan Fund (DLF) program; (3) a B&O tax credit program; (4) a tax deferral program; and technical assistance through various state agencies.

An area designated as "distressed" can be either the entire county or specific areas within a county. Distressed counties must have an unemployment rate that is 20 percent higher than the state unemployment rate for a three-year period. Distressed areas within a county must either: (1) have experienced a sudden and severe or long-term and severe loss of employment

job loss; or (2) have a minimum population of 5,000, have at least 70 percent of its households with income below 80 percent of the county median income, and have an unemployment rate that is at least 40 percent higher than the county unemployment rate.

The sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services.

Sales of new and replacement machinery and equipment used directly in a manufacturing operation, including installation labor and services, are exempt from sales and use taxes. Machinery and equipment means industrial fixtures, devices, and support facilities and includes pollution control equipment.

Manufacturing operation means the manufacturing of articles, substances, or commodities for sale as tangible personal property. The manufacturing operation begins at the point where the raw materials enter the manufacturing site and ends at the point where the finished product leaves the manufacturing site.

Summary of Amended Bill: The definition of an area eligible for distressed area assistance is expanded to include counties with a median household income that is less than 75 percent of the state median household income for the previous three years. The time limit for applications for loans from the development loan fund is removed for metropolitan distressed areas, and is extended to July 1, 1997 for rural natural resource impact areas.

In the case of the manufacturing of building trusses in a town with a population of less than 1,200 persons that is a timber impact area in those counties that are not distressed areas, the manufacturing operation ends at the point where the finished product is delivered to the building site.

A timber impact area is an area with high lumber and wood products unemployment, and a distressed area is an area where the average level of unemployment for the previous three years exceeds the statewide average level of unemployment for those years by 20 percent.

This provision applies to manufacturing machinery and equipment acquired after June 30, 1995.

Amended Bill Compared to Original Bill: The new definition was added for distressed area tax credits and tax deferrals. The development loan fund time limitations were changed.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Section 1 takes effect June 30, 1997. The remainder of the bill takes effect ninety days after adjournment of session in which bill is passed.

Testimony For (Labor, Commerce & Trade): Counties heavily dependent on agriculture may have a high number of poor households but not qualify as distressed under current statute.

Testimony Against (Labor, Commerce & Trade): None.

Testified (Labor, Commerce & Trade): Rep. Schoesler, prime sponsor.

Testimony For (Ways & Means): None.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): No one.