

2 **E2SHB 2342** - S COMM AMD
3 By Committee on Ways & Means

4 ADOPTED AS AMENDED 3/11/98

5 Strike everything after the enacting clause and insert the
6 following:

7 NEW SECTION. **Sec. 1.** It is the intent of the legislature to
8 attract and retain businesses that provide professional services and
9 insurance services to international customers. To that end, the
10 legislature finds that an incentive measured by a business's growth in
11 jobs is a meaningful method of attracting and retaining such
12 businesses. Therefore, the incentive in this act is specifically
13 targeted at "net new jobs." In addition, to further the impact and
14 benefit of this program, this incentive is limited to those urban areas
15 of the state, both in eastern Washington and western Washington, that
16 are characterized by unemployment and poverty. The legislature finds
17 that providing this targeted incentive will be of benefit to the state
18 as a whole.

19 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW
20 to read as follows:

21 (1) Subject to the limits in this section, an eligible person is
22 allowed a credit against the tax due under this chapter. The credit is
23 based on qualified employment positions in eligible areas. The credit
24 is available to persons who are engaged in international services as
25 defined in this section. In order to receive the credit, the
26 international service activities must take place at a business within
27 the eligible area.

28 (2)(a) The credit shall equal three thousand dollars for each
29 qualified employment position created after the effective date of this
30 act in an eligible area. A credit is earned for the calendar year the
31 person is hired to fill the position, plus the four subsequent
32 consecutive years, if the position is maintained for those four years.

33 (b) Credit may not be taken for hiring of persons into positions
34 that exist on the effective date of this act. Credit is authorized for
35 new employees hired for new positions created after the effective date

1 of this act. New positions filled by existing employees are eligible
2 for the credit under this section only if the position vacated by the
3 existing employee is filled by a new hire.

4 (c) When a position is newly created, if it is filled before July
5 1st, this position is eligible for the full yearly credit. If it is
6 filled after June 30th, this position is eligible for half of the
7 credit.

8 (d) Credit may be accrued and carried over until it is used. No
9 refunds may be granted for credits under this section.

10 (3) For the purposes of this section:

11 (a) "Eligible area" means: (i) A community empowerment zone under
12 RCW 43.63A.700; or (ii) a contiguous group of census tracts that meets
13 the unemployment and poverty criteria of RCW 43.63A.710 and is
14 designated under subsection (4) of this section;

15 (b) "Eligible person" means a person, as defined in RCW 82.04.030,
16 who in an eligible area at a specific location is engaged in the
17 business of providing international services;

18 (c)(i) "International services" means the provision of a service,
19 as defined under (c)(iii) of this subsection, that is subject to tax
20 under RCW 82.04.290(2), and either:

21 (A) Is for a person domiciled outside the United States; or

22 (B) The service itself is for use primarily outside of the United
23 States.

24 (ii) "International services" excludes any service taxable under
25 RCW 82.04.290(1).

26 (iii) Eligible services are: Computer; data processing;
27 information; legal; accounting and tax preparation; engineering;
28 architectural; business consulting; business management; public
29 relations and advertising; surveying; geological consulting; real
30 estate appraisal; or financial services. For the purposes of this
31 section these services mean the following:

32 (A) "Computer services" are services such as computer programming,
33 custom software modification, customization of canned software, custom
34 software installation, custom software maintenance, custom software
35 repair, training in the use of software, computer systems design, and
36 custom software update services;

37 (B) "Data processing services" are services such as word
38 processing, data entry, data retrieval, data search, information
39 compilation, payroll processing, business accounts processing, data

1 production, and other computerized data and information storage or
2 manipulation. "Data processing services" also includes the use of a
3 computer or computer time for data processing whether the processing is
4 performed by the provider of the computer or by the purchaser or other
5 beneficiary of the service;

6 (C) "Information services" are services such as electronic data
7 retrieval or research that entails furnishing financial or legal
8 information, data or research, internet service as defined in RCW
9 82.04.297, general or specialized news, or current information;

10 (D) "Legal services" are services such as representation by an
11 attorney, or other person when permitted, in an administrative or legal
12 proceeding, legal drafting, paralegal services, legal research
13 services, and court reporting services, arbitration, and mediation
14 services;

15 (E) "Accounting and tax preparation services" are services such as
16 accounting, auditing, actuarial, bookkeeping, or tax preparation
17 services;

18 (F) "Engineering services" are services such as civil, electrical,
19 mechanical, petroleum, marine, nuclear, and design engineering, machine
20 designing, machine tool designing, and sewage disposal system designing
21 services;

22 (G) "Architectural services" are services such as structural or
23 landscape design or architecture, interior design, building design,
24 building program management, and space planning services;

25 (H) "Business consulting services" are services such as primarily
26 providing operating counsel, advice, or assistance to the management or
27 owner of any business, private, nonprofit, or public organization,
28 including but not limited to those in the following areas:
29 Administrative management consulting; general management consulting;
30 human resource consulting or training; management engineering
31 consulting; management information systems consulting; manufacturing
32 management consulting; marketing consulting; operations research
33 consulting; personnel management consulting; physical distribution
34 consulting; site location consulting; economic consulting; motel,
35 hotel, and resort consulting; restaurant consulting; government affairs
36 consulting; and lobbying;

37 (I) "Business management services" are services such as
38 administrative management, business management, and office management.
39 "Business management services" does not include property management or

1 property leasing, motel, hotel, and resort management, or automobile
2 parking management;

3 (J) "Public relations and advertising services" are services such
4 as layout, art direction, graphic design, copy writing, mechanical
5 preparation, opinion research, marketing research, marketing, or
6 production supervision;

7 (K) "Surveying services" are services such as land surveying;

8 (L) "Geological consulting services" are services rendered for the
9 oil, gas, and mining industry and other earth resource industries, and
10 other services such as soil testing;

11 (M) "Real estate appraisal services" are services such as market
12 appraisal and other real estate valuation; and

13 (N) "Financial services" are services such as banking, loan,
14 security, investment management, investment advisory, mortgage
15 servicing, contract collection, and finance leasing services, engaged
16 in by financial businesses, or businesses similar to or in competition
17 with financial businesses; and

18 (d) "Qualified employment position" means a permanent full-time
19 position to provide international services. If an employee is either
20 voluntarily or involuntarily separated from employment, the employment
21 position is considered filled on a full-time basis if the employer is
22 either training or actively recruiting a replacement employee.

23 (4) By ordinance, the legislative authority of a city, or
24 legislative authorities of contiguous cities by ordinance of each
25 city's legislative authority, with population greater than eighty
26 thousand, located in a county containing no community empowerment zones
27 as designated under RCW 43.63A.700, may designate a contiguous group of
28 census tracts within the city or cities as an eligible area under this
29 section. Each of the census tracts must meet the unemployment and
30 poverty criteria of RCW 43.63A.710. Upon making the designation, the
31 city or cities shall transmit to the department of revenue a
32 certification letter and a map, each explicitly describing the
33 boundaries of the census tract. This designation must be made by
34 December 31, 1998.

35 (5) No application is necessary for the tax credit. The person
36 must keep records necessary for the department to verify eligibility
37 under this section. This information includes:

38 (a) Employment records for the previous six years;

1 (b) Information relating to description of international service
2 activity engaged in at the eligible location by the person; and

3 (c) Information relating to customers of international service
4 activity engaged in at that location by the person.

5 (6) If at any time the department finds that a person is not
6 eligible for tax credit under this section, the amount of taxes for
7 which a credit has been used shall be immediately due. The department
8 shall assess interest, but not penalties, on the credited taxes for
9 which the person is not eligible. The interest shall be assessed at
10 the rate provided for delinquent excise taxes under chapter 82.32 RCW,
11 shall be assessed retroactively to the date the tax credit was taken,
12 and shall accrue until the taxes for which a credit has been used are
13 repaid.

14 (7) The employment security department shall provide to the
15 department of revenue such information needed by the department of
16 revenue to verify eligibility under this section.

17 NEW SECTION. **Sec. 3.** A new section is added to chapter 48.14 RCW
18 to read as follows:

19 (1) Subject to the limits in this section, an eligible person is
20 allowed a credit against the tax due under RCW 48.14.020. The credit
21 is based on qualified employment positions in eligible areas. The
22 credit is available to persons who are engaged in international
23 insurance services as defined in this section. In order to receive the
24 credit, the international insurance services activities must take place
25 at a business within the eligible area.

26 (2)(a) The credit shall equal three thousand dollars for each
27 qualified employment position created after the effective date of this
28 act in an eligible area. A credit is earned for the calendar year the
29 person is hired to fill the position, plus the four subsequent
30 consecutive years, if the position is maintained for those four years.

31 (b) Credit may not be taken for hiring of persons into positions
32 that exist on the effective date of this act. Credit is authorized for
33 new employees hired for new positions created after the effective date
34 of this act. New positions filled by existing employees are eligible
35 for the credit under this section only if the position vacated by the
36 existing employee is filled by a new hire.

37 (c) When a position is newly created, if it is filled before July
38 1st, this position is eligible for the full yearly credit. If it is

1 filled after June 30th, this position is eligible for half of the
2 credit.

3 (d) Credit may be accrued and carried over until it is used. No
4 refunds may be granted for credits under this section.

5 (3) For the purposes of this section:

6 (a) "Eligible area" means: (i) A community empowerment zone under
7 RCW 43.63A.700; or (ii) a contiguous group of census tracts that meets
8 the unemployment and poverty criteria of RCW 43.63A.710 and is
9 designated under subsection (4) of this section;

10 (b) "Eligible person" means a person, as defined in RCW 82.04.030,
11 who in an eligible area at a specific location is engaged in the
12 business of providing international insurance services;

13 (c) "International insurance services" means a business that
14 provides insurance services related directly to the delivery of the
15 service outside the United States or on behalf of persons residing
16 outside the United States; and

17 (d) "Qualified employment position" means a permanent full-time
18 position to provide international insurance services. If an employee
19 is either voluntarily or involuntarily separated from employment, the
20 employment position is considered filled on a full-time basis if the
21 employer is either training or actively recruiting a replacement
22 employee.

23 (4) By ordinance, the legislative authority of a city with
24 population greater than eighty thousand, located in a county containing
25 no community empowerment zones as designated under RCW 43.63A.700, may
26 designate a contiguous group of census tracts within the city as an
27 eligible area under this section. Each of the census tracts must meet
28 the unemployment and poverty criteria of RCW 43.63A.710. Upon making
29 the designation, the city shall transmit to the department of revenue
30 a certification letter and a map, each explicitly describing the
31 boundaries of the census tract. This designation must be made by
32 December 31, 1998.

33 (5) No application is necessary for the tax credit. The person
34 must keep records necessary for the department to verify eligibility
35 under this section. This information includes:

36 (a) Employment records for the previous six years;

37 (b) Information relating to description of international insurance
38 services activity engaged in at the eligible location by the person;
39 and

1 (c) Information relating to customers of international insurance
2 services activity engaged in at that location by the person.

3 (6) If at any time the department finds that a person is not
4 eligible for tax credit under this section, the amount of taxes for
5 which a credit has been used shall be immediately due. The department
6 shall assess interest, but not penalties, on the credited taxes for
7 which the person is not eligible. The interest shall be assessed at
8 the rate provided for delinquent excise taxes under chapter 82.32 RCW,
9 shall be assessed retroactively to the date the tax credit was taken,
10 and shall accrue until the taxes for which a credit has been used are
11 repaid.

12 (7) The employment security department shall provide to the
13 department of revenue such information needed by the department of
14 revenue to verify eligibility under this section.

15 NEW SECTION. **Sec. 4.** This act takes effect July 1, 1998."

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17 By Committee on Ways & Means

18 ADOPTED 3/11/98

19 On page 1, line 1 of the title, after "services;" strike the
20 remainder of the title and insert "adding a new section to chapter
21 82.04 RCW; adding a new section to chapter 48.14 RCW; creating a new
22 section; and providing an effective date."

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