

2 **E2SSB 5594** - H COMM AMD NOT ADOPTED 04/13/99

3 By Committee on Economic Development, Housing & Trade

4

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

7 NEW SECTION. **Sec. 1.** The legislature finds that while
8 Washington's economy is currently prospering, economic growth continues
9 to be uneven, particularly as between metropolitan and rural areas.
10 This has created in effect two Washingtons. One afflicted by
11 inadequate infrastructure to support and attract investment, another
12 suffering from congestion and soaring housing prices. In order to
13 address these problems, the legislature intends to use resources
14 strategically to build on our state's strengths while addressing
15 threats to our prosperity.

16

PART I

17

HOUSING

18 NEW SECTION. **Sec. 101.** A new section is added to chapter 43.63A
19 RCW to read as follows:

20 The department shall establish and administer a "one-stop
21 clearinghouse" to coordinate state assistance for growers and nonprofit
22 organizations in developing housing for agricultural employees.
23 Growers, housing authorities, and nonprofit organizations shall have
24 direct access to the one-stop clearinghouse. The department one-stop
25 clearinghouse shall provide assistance on planning and design, building
26 codes, temporary worker housing regulations, financing options, and
27 management to growers and nonprofit organizations interested in
28 farmworker construction. The department one-stop clearinghouse shall
29 also provide educational materials and services to local government
30 authorities on Washington state law concerning farmworker housing.

31

PART II

32

RURAL DEVELOPMENT COUNCIL

1 NEW SECTION. **Sec. 201.** A new section is added to chapter 43.31
2 RCW to read as follows:

3 (1) The rural development council executive committee and the
4 department are authorized to establish a successor organization to the
5 rural development council executive committee created under RCW
6 43.31.855. The purpose of the successor organization is, at least in
7 part, to improve the delivery and accessibility of public and private
8 resources for meeting the needs of rural communities in Washington.

9 (2) For purposes of this section, "successor organization" means a
10 private nonprofit corporation created specifically to assume
11 responsibility for administering funds provided by the federal
12 government and other sources to carry out the purpose state in
13 subsection (1) of this section. A successor organization must qualify
14 as a tax-exempt nonprofit corporation under section 501(c) of the
15 federal internal revenue code.

16 (3) This section expires June 30, 2002.

17 NEW SECTION. **Sec. 202.** A new section is added to chapter 43.31
18 RCW to read as follows:

19 (1) The executive committee and the department are authorized to
20 take all steps reasonably necessary and proper to effect the orderly
21 transition of the rural development council executive committee to the
22 successor organization. This authorization includes, but is not
23 necessarily limited to, the authority to:

24 (a) Transfer any equipment, records, other assets, or contracts for
25 services to the successor organization under appropriate terms and
26 conditions, including reasonable compensation for assets acquired with
27 state funds;

28 (b) Assist in the establishment of a successor organization,
29 including entering into contracts preparatory to the establishment of
30 the organization; and

31 (c) Unless otherwise provided by agreement, assign to the successor
32 organization any membership agreements, contracts, license, and other
33 duties and obligations related to the rural development council.

34 (2) This section expires June 30, 2002.

35 **Sec. 203.** RCW 42.52.080 and 1994 c 154 s 108 are each amended to
36 read as follows:

1 (1) No former state officer or state employee may, within a period
2 of one year from the date of termination of state employment, accept
3 employment or receive compensation from an employer if:

4 (a) The officer or employee, during the two years immediately
5 preceding termination of state employment, was engaged in the
6 negotiation or administration on behalf of the state or agency of one
7 or more contracts with that employer and was in a position to make
8 discretionary decisions affecting the outcome of such negotiation or
9 the nature of such administration;

10 (b) Such a contract or contracts have a total value of more than
11 ten thousand dollars; and

12 (c) The duties of the employment with the employer or the
13 activities for which the compensation would be received include
14 fulfilling or implementing, in whole or in part, the provisions of such
15 a contract or contracts or include the supervision or control of
16 actions taken to fulfill or implement, in whole or in part, the
17 provisions of such a contract or contracts. This subsection shall not
18 be construed to prohibit a state officer or state employee from
19 accepting employment with a state employee organization.

20 (2) No person who has served as a state officer or state employee
21 may, within a period of two years following the termination of state
22 employment, have a direct or indirect beneficial interest in a contract
23 or grant that was expressly authorized or funded by specific
24 legislative or executive action in which the former state officer or
25 state employee participated.

26 (3) No former state officer or state employee may accept an offer
27 of employment or receive compensation from an employer if the officer
28 or employee knows or has reason to believe that the offer of employment
29 or compensation was intended, in whole or in part, directly or
30 indirectly, to influence the officer or employee or as compensation or
31 reward for the performance or nonperformance of a duty by the officer
32 or employee during the course of state employment.

33 (4) No former state officer or state employee may accept an offer
34 of employment or receive compensation from an employer if the
35 circumstances would lead a reasonable person to believe the offer has
36 been made, or compensation given, for the purpose of influencing the
37 performance or nonperformance of duties by the officer or employee
38 during the course of state employment.

1 (5) No former state officer or state employee may at any time
2 subsequent to his or her state employment assist another person,
3 whether or not for compensation, in any transaction involving the state
4 in which the former state officer or state employee at any time
5 participated during state employment. This subsection shall not be
6 construed to prohibit any employee or officer of a state employee
7 organization from rendering assistance to state officers or state
8 employees in the course of employee organization business.

9 (6) As used in this section, "employer" means a person as defined
10 in RCW 42.52.010 or any other entity or business that the person owns
11 or in which the person has a controlling interest. For purposes of
12 subsection (1) of this section, the term "employer" does not include a
13 successor organization to the rural development council under chapter
14 43.31 RCW.

15 NEW SECTION. Sec. 204. A new section is added to chapter 43.31
16 RCW to read as follows:

17 Notwithstanding anything to the contrary in chapter 41.06 RCW or
18 any other provision of law, the department may contract to provide
19 funding to a successor organization under section 201 of this act to
20 carry out activities of the organization that are consistent with the
21 department's powers and duties. All moneys for contracts entered into
22 under this section are subject to appropriation.

23 NEW SECTION. Sec. 205. The following acts or parts of acts, as
24 now existing or hereafter amended, are each repealed, effective June
25 30, 2000:

- 26 (1) RCW 43.31.855 (Rural development council) and 1997 c 377 s 1;
27 (2) RCW 43.31.857 (Rural development council--Financial
28 contributions encouraged) and 1997 c 377 s 2; and
29 (3) 1997 c 377 s 3 (uncodified).

30 **PART III**

31 **ECONOMIC VITALITY COMMITTEE**

32 NEW SECTION. Sec. 301. (1) The legislature shall establish an ad
33 hoc economic development group to analyze potential economic
34 development projects of state-wide significance and recommend
35 appropriate administrative or legislative actions.

1 (2) The group shall include one representative each from the
2 department of community, trade, and economic development, the
3 department of agriculture, and the department of revenue as well as two
4 representatives from rural economic development councils appointed by
5 the legislature.

6 (3) The group shall promote economic development and business
7 diversification throughout the state with special attention given to
8 the economic difficulties of rural counties.

9 (4) In order to expedite coordinated responses, the governor may
10 direct the group to meet on an emergency basis when projects of state-
11 wide significance arise.

12 (5) The department of community, trade, and economic development
13 shall establish criteria to determine whether a project meets the
14 standards of a "project of state-wide significance." These criteria
15 may include such economic indicators as local unemployment and personal
16 income levels and project scope indicators such as the assessed value
17 of the project in relation to the assessed value of the county.

18 **PART IV**

19 **DISTRESSED COUNTY ASSISTANCE ACCOUNT**

20 **Sec. 401.** RCW 82.14.380 and 1998 c 321 s 10 (Referendum Bill No.
21 49) are each amended to read as follows:

22 (1) The distressed county assistance account is created in the
23 state treasury. Into this account shall be placed a portion of all
24 motor vehicle excise tax receipts as provided in RCW 82.44.110. At
25 such times as distributions are made under RCW 82.44.150, the state
26 treasurer shall distribute the funds in the distressed county
27 assistance account to each county imposing the sales and use tax
28 authorized under RCW 82.14.370 as of January 1, 1999, in the same
29 proportions as distributions of the tax imposed under RCW 82.14.370 for
30 these counties for the previous quarter.

31 (2) Funds distributed from the distressed county assistance account
32 shall be expended by the counties for criminal justice and other
33 purposes.

34 **PART V**

35 **DISTRESSED AREA SALES AND USE TAX DEFERRAL**

1 **Sec. 501.** RCW 82.60.020 and 1996 c 290 s 4 are each amended to
2 read as follows:

3 Unless the context clearly requires otherwise, the definitions in
4 this section apply throughout this chapter.

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

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

8 (3) "Eligible area" means(~~(:—(a) A county in which the average~~
9 ~~level of unemployment for the three years before the year in which an~~
10 ~~application is filed under this chapter exceeds the average state~~
11 ~~unemployment for those years by twenty percent; (b) a county that has~~
12 ~~a median household income that is less than seventy five percent of the~~
13 ~~state median household income for the previous three years; (c) a~~
14 ~~metropolitan statistical area, as defined by the office of federal~~
15 ~~statistical policy and standards, United States department of commerce,~~
16 ~~in which the average level of unemployment for the calendar year~~
17 ~~immediately preceding the year in which an application is filed under~~
18 ~~this chapter exceeds the average state unemployment for such calendar~~
19 ~~year by twenty percent; (d) a designated community empowerment zone~~
20 ~~approved under RCW 43.63A.700 or a county containing such a community~~
21 ~~empowerment zone; (e) a town with a population of less than twelve~~
22 ~~hundred persons in those counties that are not covered under (a) of~~
23 ~~this subsection that are timber impact areas as defined in RCW~~
24 ~~43.31.601; (f) a county designated by the governor as an eligible area~~
25 ~~under RCW 82.60.047; or (g) a county that is contiguous to a county~~
26 ~~that qualifies as an eligible area under (a) or (f) of this~~
27 ~~subsection)) a county with fewer than one hundred persons per square
28 mile as determined annually by the office of financial management and
29 published by the department of revenue effective for the period July
30 1st through June 30th.~~

31 (4)(a) "Eligible investment project" means(~~(:—~~
32 ~~(i)) an investment project in an eligible area as defined in~~
33 ~~subsection (3)((a), (b), (c), (e), or (f)) of this section((; or~~
34 ~~(ii) That portion of an investment project in an eligible area as~~
35 ~~defined in subsection (3)(d) or (g) of this section which is directly~~
36 ~~utilized to create at least one new full-time qualified employment~~
37 ~~position for each three hundred thousand dollars of investment on which~~
38 ~~a deferral is requested in an application approved before July 1, 1994,~~
39 ~~and for each seven hundred fifty thousand dollars of investment on~~

1 which a deferral is requested in an application approved after June 30,
2 1994)).

3 (b) The lessor/owner of a qualified building is not eligible for a
4 deferral unless the underlying ownership of the buildings, machinery,
5 and equipment vests exclusively in the same person, or unless the
6 lessor by written contract agrees to pass the economic benefit of the
7 deferral to the lessee in the form of reduced rent payments.

8 (c) (~~For purposes of (a)(ii) of this subsection:~~

9 (i) ~~The department shall consider the entire investment project,~~
10 ~~including any investment in machinery and equipment that otherwise~~
11 ~~qualifies for exemption under RCW 82.08.02565 or 82.12.02565, for~~
12 ~~purposes of determining the portion of the investment project that~~
13 ~~qualifies for deferral as an eligible investment project; and~~

14 (ii) ~~The number of new full-time qualified employment positions~~
15 ~~created by an investment project shall be deemed to be reduced by the~~
16 ~~number of full-time employment positions maintained by the recipient in~~
17 ~~any other community in this state that are displaced as a result of the~~
18 ~~investment project.~~

19 (d)) "Eligible investment project" does not include any portion of
20 an investment project undertaken by a light and power business as
21 defined in RCW 82.16.010(5), other than that portion of a cogeneration
22 project that is used to generate power for consumption within the
23 manufacturing site of which the cogeneration project is an integral
24 part, or investment projects which have already received deferrals
25 under this chapter.

26 (5) "Investment project" means an investment in qualified buildings
27 or qualified machinery and equipment, including labor and services
28 rendered in the planning, installation, and construction of the
29 project.

30 (6) "Manufacturing" means (~~all activities of a commercial or~~
31 ~~industrial nature wherein labor or skill is applied, by hand or~~
32 ~~machinery, to materials so that as a result thereof a new, different,~~
33 ~~or useful substance or article of tangible personal property is~~
34 ~~produced for sale or commercial or industrial use and shall include the~~
35 ~~production or fabrication of specially made or custom made articles))
36 the same as defined in RCW 82.04.120. "Manufacturing" also includes
37 computer programming, the production of computer software, and other
38 computer-related services, and the activities performed by research and
39 development laboratories and commercial testing laboratories.~~

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

2 (8) "Qualified buildings" means construction of new structures, and
3 expansion or renovation of existing structures for the purpose of
4 increasing floor space or production capacity used for manufacturing
5 and research and development activities, including plant offices and
6 warehouses or other facilities for the storage of raw material or
7 finished goods if such facilities are an essential or an integral part
8 of a factory, mill, plant, or laboratory used for manufacturing or
9 research and development. If a building is used partly for
10 manufacturing or research and development and partly for other
11 purposes, the applicable tax deferral shall be determined by
12 apportionment of the costs of construction under rules adopted by the
13 department.

14 (~~(9)~~) (~~"Qualified employment position" means a permanent full-time~~
15 ~~employee employed in the eligible investment project during the entire~~
16 ~~tax year.~~

17 (~~(10)~~) "Qualified machinery and equipment" means all new industrial
18 and research fixtures, equipment, and support facilities that are an
19 integral and necessary part of a manufacturing or research and
20 development operation. "Qualified machinery and equipment" includes:
21 Computers; software; data processing equipment; laboratory equipment;
22 manufacturing components such as belts, pulleys, shafts, and moving
23 parts; molds, tools, and dies; operating structures; and all equipment
24 used to control or operate the machinery.

25 (~~((11))~~) (10) "Recipient" means a person receiving a tax deferral
26 under this chapter.

27 (~~((12))~~) (11) "Research and development" means the development,
28 refinement, testing, marketing, and commercialization of a product,
29 service, or process before commercial sales have begun. As used in
30 this subsection, "commercial sales" excludes sales of prototypes or
31 sales for market testing if the total gross receipts from such sales of
32 the product, service, or process do not exceed one million dollars.

33 **Sec. 502.** RCW 82.60.040 and 1997 c 156 s 5 are each amended to
34 read as follows:

35 (1) The department shall issue a sales and use tax deferral
36 certificate for state and local sales and use taxes due under chapters
37 82.08, 82.12, and 82.14 RCW on each eligible investment project that(~~(÷~~

1 (a)) is located in an eligible area as defined in RCW
2 82.60.020(~~(3) (a), (b), (c), (e), or (f)~~);

3 ~~(b) Is located in an eligible area as defined in RCW
4 82.60.020(3)(g) if seventy five percent of the new qualified employment
5 positions are to be filled by residents of a contiguous county that is
6 an eligible area as defined in RCW 82.60.020(3) (a) or (f); or~~

7 ~~(c) Is located in an eligible area as defined in RCW
8 82.60.020(3)(d) if seventy five percent of the new qualified employment
9 positions are to be filled by residents of a designated community
10 empowerment zone approved under RCW 43.63A.700 located within the
11 county in which the eligible investment project is located))~~.

12 (2) The department shall keep a running total of all deferrals
13 granted under this chapter during each fiscal biennium.

14 (3) This section expires July 1, 2004.

15 **Sec. 503.** RCW 82.60.070 and 1995 1st sp.s. c 3 s 9 are each
16 amended to read as follows:

17 (1) (~~Each recipient of a deferral granted under this chapter prior
18 to July 1, 1994, shall submit a report to the department on December
19 31st of each year during the repayment period until the tax deferral is
20 repaid.~~) Each recipient of a deferral granted under this chapter
21 after June 30, 1994, shall submit a report to the department on
22 December 31st of the year in which the investment project is certified
23 by the department as having been operationally completed, and on
24 December 31st of each of the seven succeeding calendar years. The
25 report shall contain information, as required by the department, from
26 which the department may determine whether the recipient is meeting the
27 requirements of this chapter. If the recipient fails to submit a
28 report or submits an inadequate report, the department may declare the
29 amount of deferred taxes outstanding to be immediately assessed and
30 payable.

31 (2) If, on the basis of a report under this section or other
32 information, the department finds that an investment project is not
33 eligible for tax deferral under this chapter (~~for reasons other than
34 failure to create the required number of qualified employment
35 positions~~)), the amount of deferred taxes outstanding for the project
36 shall be immediately due.

37 (3) (~~If, on the basis of a report under this section or other
38 information, the department finds that an investment project for which~~

1 a deferral has been granted under this chapter prior to July 1, 1994,
2 has been operationally complete for three years and has failed to
3 create the required number of qualified employment positions, the
4 department shall assess interest, but not penalties, on the deferred
5 taxes for the project. The interest shall be assessed at the rate
6 provided for delinquent excise taxes, shall be assessed retroactively
7 to the date of deferral, and shall accrue until the deferred taxes are
8 repaid.

9 (4) If, on the basis of a report under this section or other
10 information, the department finds that an investment project for which
11 a deferral has been granted under this chapter after June 30, 1994, has
12 been operationally complete for three years and has failed to create
13 the required number of qualified employment positions, the amount of
14 taxes not eligible for deferral shall be immediately due. The
15 department shall assess interest at the rate provided for delinquent
16 excise taxes, but not penalties, retroactively to the date of deferral.

17 (5) If, on the basis of a report under this section or other
18 information, the department finds that an investment project qualifying
19 for deferral under RCW 82.60.040(1) (b) or (c) has failed to comply
20 with any requirement of RCW 82.60.045 for any calendar year for which
21 reports are required under subsection (1) of this section, twelve and
22 one half percent of the amount of deferred taxes shall be immediately
23 due. The department shall assess interest at the rate provided for
24 delinquent excise taxes, but not penalties, retroactively to the date
25 of deferral.

26 (6)) Notwithstanding any other subsection of this section,
27 deferred taxes need not be repaid on machinery and equipment for lumber
28 and wood products industries, and sales of or charges made for labor
29 and services, of the type which qualifies for exemption under RCW
30 82.08.02565 or 82.12.02565 to the extent the taxes have not been repaid
31 before July 1, 1995.

32 ((7)) (4) Notwithstanding any other subsection of this section,
33 deferred taxes on the following need not be repaid:

34 (a) Machinery and equipment, and sales of or charges made for labor
35 and services, which at the time of purchase would have qualified for
36 exemption under RCW 82.08.02565; and

37 (b) Machinery and equipment which at the time of first use would
38 have qualified for exemption under RCW 82.12.02565.

PART VI

DISTRESSED AREA BUSINESS AND OCCUPATION TAX JOB CREDIT

1
2
3 **Sec. 601.** RCW 82.62.010 and 1996 c 290 s 5 are each amended to
4 read as follows:

5 Unless the context clearly requires otherwise, the definitions in
6 this section apply throughout this chapter.

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

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

10 (3) "Eligible area" means(~~(:—(a) A county in which the average~~
11 ~~level of unemployment for the three years before the year in which an~~
12 ~~application is filed under this chapter exceeds the average state~~
13 ~~unemployment for those years by twenty percent; (b) a county that has~~
14 ~~a median household income that is less than seventy five percent of the~~
15 ~~state median household income for the previous three years; (c) a~~
16 ~~metropolitan statistical area, as defined by the office of federal~~
17 ~~statistical policy and standards, United States department of commerce,~~
18 ~~in which the average level of unemployment for the calendar year~~
19 ~~immediately preceding the year in which an application is filed under~~
20 ~~this chapter exceeds the average state unemployment for such calendar~~
21 ~~year by twenty percent; (d) a designated community empowerment zone~~
22 ~~approved under RCW 43.63A.700; or (e) subcounty areas in those counties~~
23 ~~that are not covered under (a) of this subsection that are timber~~
24 ~~impact areas as defined in RCW 43.31.601)) an area as defined in RCW~~
25 82.60.020.

26 (4)(a) "Eligible business project" means manufacturing or research
27 and development activities which are conducted by an applicant in an
28 eligible area at a specific facility, provided the applicant's average
29 full-time qualified employment positions at the specific facility will
30 be at least fifteen percent greater in the year for which the credit is
31 being sought than the applicant's average full-time qualified
32 employment positions at the same facility in the immediately preceding
33 year.

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

1 (5) "Manufacturing" means (~~all activities of a commercial or~~
2 ~~industrial nature wherein labor or skill is applied, by hand or~~
3 ~~machinery, to materials so that as a result thereof a new, different,~~
4 ~~or useful substance or article of tangible personal property is~~
5 ~~produced for sale or commercial or industrial use and shall include the~~
6 ~~production or fabrication of specially made or custom made articles))
7 the same as defined in RCW 82.04.120. "Manufacturing" also includes
8 computer programming, the production of computer software, and other
9 computer-related services, and the activities performed by research and
10 development laboratories and commercial testing laboratories.~~

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

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

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

16 (9) "Recipient" means a person receiving tax credits under this
17 chapter.

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

24 **Sec. 602.** RCW 82.62.030 and 1997 c 366 s 5 are each amended to
25 read as follows:

26 (1) A person shall be allowed a credit against the tax due under
27 chapter 82.04 RCW as provided in this section. (~~For an application~~
28 ~~approved before January 1, 1996, the credit shall equal one thousand~~
29 ~~dollars for each qualified employment position directly created in an~~
30 ~~eligible business project. For an application approved on or after~~
31 ~~January 1, 1996, the credit shall equal two thousand dollars for each~~
32 ~~qualified employment position directly created in an eligible business~~
33 ~~project. For an application approved on or after July 1, 1997,)) The
34 credit shall equal: (a) Four thousand dollars for each qualified
35 employment position with wages and benefits greater than forty thousand
36 dollars annually that is directly created in an eligible business(~~-~~
37 ~~For an application approved on or after July 1, 1997, the credit shall~~
38 ~~equal~~) and (b) two thousand dollars for each qualified employment~~

1 position with wages and benefits less than or equal to forty thousand
2 dollars annually that is directly created in an eligible business.

3 (2) The department shall keep a running total of all credits
4 granted under this chapter during each fiscal year. The department
5 shall not allow any credits which would cause the tabulation to exceed
6 ~~((five million five hundred thousand dollars in fiscal year 1998 or
7 1999 or))~~ seven million five hundred thousand dollars in any fiscal
8 year ~~((thereafter))~~. If all or part of an application for credit is
9 disallowed under this subsection, the disallowed portion shall be
10 carried over for approval the next fiscal year. However, the
11 applicant's carryover into the next fiscal year is only permitted if
12 the tabulation for the next fiscal year does not exceed the cap for
13 that fiscal year as of the date on which the department has disallowed
14 the application.

15 (3) No recipient may use the tax credits to decertify a union ~~((or
16 to displace existing jobs in any community in the state))~~.

17 (4) No recipient may receive a tax credit on taxes which have not
18 been paid during the taxable year.

19 **PART VII**

20 **TECHNOLOGY-BASED BUSINESSES**

21 **Software**

22 NEW SECTION. **Sec. 701.** It is the intent of the legislature to
23 attract and retain technology-based businesses in distressed counties.
24 Section 702 of this act provides a tax incentive to those businesses
25 that develop or manufacture software in distressed counties.
26 Encouragement of these types of business will stimulate the information
27 technology industry and be of benefit to the state economy in general.
28 To further the impact and benefit of this program, this incentive is
29 limited to those counties of the state that are characterized by
30 unemployment or low income. The legislature finds that providing this
31 targeted incentive will both increase its effectiveness and create a
32 high technology work force in distressed counties.

33 NEW SECTION. **Sec. 702.** A new section is added to chapter 82.04
34 RCW to read as follows:

35 (1) Subject to the limits and provisions of this section, a credit
36 is authorized against the tax otherwise due under this chapter for

1 persons engaged in a distressed county in the business of manufacturing
2 or programming of software, as those terms are defined in this section.

3 (2) A person who partially or totally relocates a business from one
4 distressed county to another distressed county is eligible for any
5 qualifying new jobs created as a result of the relocation but is not
6 eligible to receive credit for the jobs moved from one county to the
7 other.

8 (3)(a) To qualify for the credit, the qualifying activity of the
9 person must be conducted in a distressed county and the qualified
10 employment position must be located in the distressed county.

11 (b) If an activity is conducted both from a distressed county and
12 outside of a distressed county, the credit is available if at least
13 ninety percent of the qualifying activity takes place within a
14 distressed county. If the qualifying activity is a service taxable
15 activity, the place where the work is performed is the place at which
16 the activity is conducted.

17 (4)(a) The credit under this section shall equal one thousand
18 dollars for each qualified employment position created after July 1,
19 1999, in an eligible area. A credit is earned for the calendar year
20 the person is hired to fill the position. Additionally a credit is
21 earned for each year the position is maintained over the subsequent
22 consecutive years, up to six years. The county must meet the
23 definition of a distressed county at the time the position is filled.
24 If the county does not have a distressed county status the following
25 year or years, the position is still eligible for the remaining years
26 if all other conditions are met.

27 (b) Credit may not be taken for hiring of persons into positions
28 that exist before July 1, 1999. Credit is authorized for new employees
29 hired for new positions created on or after July 1, 1999. New
30 positions filled by existing employees are eligible for the credit
31 under this section only if the position vacated by the existing
32 employee is filled by a new hire. A business that is a sole
33 proprietorship without any employees is equivalent to one employee
34 position and this type of business is eligible to receive credit for
35 one position.

36 (c) If a position is filled before July 1st, this position is
37 eligible for the full yearly credit. If it is filled after June 30th,
38 this position is eligible for half of the credit.

1 (d) A person that has engaged in qualifying activities in the
2 distressed county before the effective date of this section qualifies
3 for the credit under this section for positions created and filled
4 after the effective date of this section.

5 (5) No application is necessary for the tax credit. The person
6 must keep records necessary for the department to verify eligibility
7 under this section. This information includes information relating to
8 description of qualifying activity engaged in the distressed county and
9 outside the distressed county by the person as well as detailed records
10 on positions and employees. The department shall, in consultation with
11 a representative group of affected taxpayers, develop a method of
12 segregating activity and related income so that those persons who
13 engage in multiple activities can determine eligibility for credit
14 under this section.

15 (6) If at any time the department finds that a person is not
16 eligible for tax credit under this section, the amount of taxes for
17 which a credit has been claimed shall be immediately due. The
18 department shall assess interest, but not penalties, on the taxes for
19 which the person is not eligible. The interest shall be assessed at
20 the rate provided for delinquent excise taxes under chapter 82.32 RCW,
21 shall be assessed retroactively to the date the tax credit was taken,
22 and shall accrue until the taxes for which a credit has been used are
23 repaid.

24 (7) The credit under this section may be used against any tax due
25 under this chapter, but in no case may a credit earned during one
26 calendar year be carried over to be credited against taxes incurred in
27 a subsequent calendar year. A person is not eligible to receive a
28 credit under this section if the person is receiving credit for the
29 same position under chapter 82.62 RCW or RCW 82.04.44525. No refunds
30 may be granted for credits under this section.

31 (8) County eligibility under this section shall be based on the
32 same list as published by the department under chapter 82.60 RCW. The
33 eligibility period is from July 1st of each year to June 30th of the
34 next year.

35 (9) A person taking tax credits under this section shall make an
36 annual report to the department. The report shall be in a letter form
37 and shall include the following information: Number of positions for
38 which credit is being claimed, type of position for which credit is
39 being claimed, type of activity in which the person is engaged in the

1 county, and how long the person has been located in the county. The
2 report must be filed by January 30th of each year for which credit was
3 claimed during the previous year.

4 (10) Transfer of ownership does not affect credit eligibility;
5 however, the credit is available to the successor for remaining periods
6 in the seven years only if the eligibility conditions of this section
7 are met.

8 (11) As used in this section:

9 (a) "Distressed county" means an eligible area as defined in RCW
10 82.60.020.

11 (b) "Manufacturing" means the same as "to manufacture" under RCW
12 82.04.120. Manufacturing includes the activities of both manufacturers
13 and processors for hire.

14 (c) "Programming" means the activities that involve the creation or
15 modification of software, as that term is defined in this chapter, and
16 that are taxable as a service under RCW 82.04.290(2) or as a retail
17 sale under RCW 82.04.050.

18 (d) "Qualifying activity" means manufacturing or programming of
19 software.

20 (e) "Qualified employment position" means a permanent full-time
21 position doing programming of software or manufacturing of software.
22 This excludes administrative, professional, service, executive, and
23 other similar positions. If an employee is either voluntarily or
24 involuntarily separated from employment, the employment position is
25 considered filled on a full-time basis if the employer is either
26 training or actively recruiting a replacement employee. Full-time
27 means a position for at least thirty-five hours a week.

28 (f) "Software" has the same meaning as defined in RCW 82.04.215.

29 **PART VIII**
30 **ELECTRIC UTILITIES**

31 NEW SECTION. **Sec. 801.** The legislature finds that it is necessary
32 to employ multiple approaches to revitalize the economy of Washington
33 state's rural areas. The legislature also finds that where possible,
34 Washington state should develop programs which can complement other
35 private, state, and federal programs. It is the intent of section 802
36 of this act to complement such rural economic development efforts by
37 creating a public utility tax offset program to help establish locally

1 based electric utility revolving fund programs to be used for economic
2 development and job creation.

3 NEW SECTION. **Sec. 802.** A new section is added to chapter 82.16
4 RCW to read as follows:

5 (1) The following definitions apply to this section:

6 (a) "Qualifying project" means a project designed to achieve job
7 creation or business retention, to add or upgrade nonelectrical
8 infrastructure, to add or upgrade health and safety facilities, to
9 accomplish energy and water use efficiency improvements, including
10 renewable energy development, or to add or upgrade emergency services
11 in any designated qualifying rural area.

12 (b) "Qualifying rural area" means:

13 (i) An eligible area as defined in RCW 82.60.020; or

14 (ii) Any geographic area in the state that receives electricity
15 from a light and power business with fewer than twenty-six meters per
16 mile of distribution line as determined and published by the department
17 of revenue effective July 1st of each year. The department shall use
18 current data provided by the electricity industry.

19 (c) "Electric utility rural economic development revolving fund"
20 means a fund devoted exclusively to funding qualifying projects in
21 qualifying rural areas.

22 (d) "Local board" is a board of directors with at least, but not
23 limited to, three members who have been appointed by the sponsoring
24 electric utility to oversee and direct the activities of the electric
25 utility rural economic development revolving fund.

26 (e) "Geographic area" means any portion of a light and power
27 business' service territory, either in whole or any subdivision
28 thereof.

29 (2) A light and power business with fewer than twenty-six active
30 meters per mile of distribution line in any geographic area in the
31 state shall be allowed a credit against taxes due under this chapter in
32 an amount equal to fifty percent of contributions made in any calendar
33 year directly to an electric utility rural economic development
34 revolving fund. The credit under this section shall not exceed one
35 hundred thousand dollars per calendar year. The credit may not exceed
36 the tax that would otherwise be due under this chapter. Refunds shall
37 not be granted in the place of credits and excess expenditures shall
38 not be carried over to subsequent years.

1 (3) The right to claim tax credits under this section expires
2 December 31, 2005. However any credits claimed prior to that date
3 remain available for use indefinitely, subject to restrictions set
4 forth in subsection (6) of this section.

5 (4) To qualify for the credit in subsection (2) of this section,
6 the light and power business shall establish an electric utility rural
7 economic development revolving fund which is governed by a local board
8 whose members shall reside in the qualifying rural area served by the
9 light and power business. The local board shall have authority to
10 determine all criteria and conditions for the expenditure of funds from
11 the electric utility rural economic development fund, and for the terms
12 and conditions of repayment.

13 (5) Any funds repaid to the electric utility rural economic
14 development fund by recipients shall be made available for additional
15 qualifying projects.

16 (6) If at any time the electric utility rural economic development
17 fund is dissolved, any moneys claimed as a tax credit under this
18 section shall either be granted to a qualifying project or refunded to
19 the state within two years of termination.

20 (7) The total amount of credits granted under this section shall
21 not exceed seven hundred fifty thousand dollars in any fiscal year.

22 **PART IX**

23 **COMMUNITY EMPOWERMENT ZONES**

24 NEW SECTION. **Sec. 901.** A new section is added to chapter 82.60
25 RCW to read as follows:

26 (1) For the purposes of this section:

27 (a) "Eligible area" also means a designated community empowerment
28 zone approved under RCW 43.63A.700.

29 (b) "Eligible investment project" also means an investment project
30 in an eligible area as defined in this section.

31 (2) In addition to the provisions of RCW 82.60.040, the department
32 shall issue a sales and use tax deferral certificate for state and
33 local sales and use taxes due under chapters 82.08, 82.12, and 82.14
34 RCW, on each eligible investment project that is located in an eligible
35 area, if the applicant establishes that at the time the project is
36 operationally complete:

1 (a) The applicant will hire at least one qualified employment
2 position for each seven hundred fifty thousand dollars of investment on
3 which a deferral is requested; and

4 (b) The positions will be filled by persons who at the time of hire
5 are residents of the community empowerment zone in which the project is
6 located. As used in this subsection, "resident" means the person makes
7 his or her home in the community empowerment zone. A mailing address
8 alone is insufficient to establish that a person is a resident for the
9 purposes of this section. The persons must be hired after the date the
10 application is filed with the department.

11 (3) All other provisions and eligibility requirements of this
12 chapter apply to applicants eligible under this section.

13 (4) If a person does not meet the requirements of this section by
14 the end of the calendar year following the year in which the project is
15 certified as operationally complete, all deferred taxes are immediately
16 due.

17 NEW SECTION. **Sec. 902.** A new section is added to chapter 82.62
18 RCW to read as follows:

19 (1) For the purposes of this section "eligible area" also means a
20 designated community empowerment zone approved under RCW 43.63A.700.

21 (2) An eligible business project located within an eligible area as
22 defined in this section qualifies for a credit under this chapter for
23 those employees who at the time of hire are residents of the community
24 empowerment zone in which the project is located, if the fifteen
25 percent threshold is met. As used in this subsection, "resident" means
26 the person makes his or her home in the community empowerment zone. A
27 mailing address alone is insufficient to establish that a person is a
28 resident for the purposes of this section.

29 (3) All other provisions and eligibility requirements of this
30 chapter apply to applicants eligible under this section.

31 **PART X**
32 **REPEALED SECTIONS**

33 **Sec. 1001.** RCW 43.131.386 and 1997 c 367 s 19 are each amended to
34 read as follows:

35 The following acts or parts of acts, as now existing or hereafter
36 amended, are each repealed, effective June 30, 2001:

1 (1) RCW 43.31.601 and 1997 c 367 s 1, 1995 c 226 s 1, 1992 c 21 s
2 2, & 1991 c 314 s 2;
3 (2) RCW 43.31.641 and 1997 c 367 s 6, 1995 c 226 s 4, 1993 c 280 s
4 50, & 1991 c 314 s 7;
5 (3) RCW 50.22.090 and (~~1995 c 226 s 5, 1993 c 316 s 10, 1992 c 47~~
6 ~~s 2, & 1991 c 315 s 4~~) 1997 c 367 s 4;
7 (4) (~~RCW 43.160.212 and 1996 c 168 s 4, 1995 c 226 s 6, & 1993 c~~
8 ~~316 s 5;~~
9 ~~(5)~~) RCW 43.63A.021 and 1997 c 367 s 5 & 1995 c 226 s 11;
10 (~~(6)~~) (5) RCW 43.63A.600 and 1995 c 226 s 12, 1994 c 114 s 1,
11 1993 c 280 s 77, & 1991 c 315 s 23;
12 (~~(7)~~) (6) RCW 43.63A.440 and 1997 c 367 s 7, 1995 c 226 s 13,
13 1993 c 280 s 74, & 1989 c 424 s 7;
14 (~~(8)~~ RCW 43.160.200 and 1995 c 226 s 16, 1993 c 320 s 7, 1993 c
15 ~~316 s 4, & 1991 c 314 s 23;~~
16 ~~(9)~~) (7) RCW 28B.50.258 and 1995 c 226 s 18 & 1991 c 315 s 16;
17 (~~(10)~~) (8) RCW 28B.50.262 and 1995 c 226 s 19 & 1994 c 282 s 3;
18 (~~(11)~~) (9) RCW 28B.80.570 and 1997 c 367 s 14, 1995 c 226 s 20,
19 1992 c 21 s 6, & 1991 c 315 s 18;
20 (~~(12)~~) (10) RCW 28B.80.575 and 1995 c 269 s 1001, 1995 c 226 s
21 21, & 1991 c 315 s 19;
22 (~~(13)~~) (11) RCW 28B.80.580 and 1997 c 367 s 15, 1995 c 226 s 22,
23 1993 sp.s. c 18 s 34, 1992 c 231 s 31, & 1991 c 315 s 20;
24 (~~(14)~~) (12) RCW 28B.80.585 and 1995 c 226 s 23 & 1991 c 315 s 21;
25 (~~(15)~~) (13) RCW 43.17.065 and 1995 c 226 s 24, 1993 c 280 s 37,
26 1991 c 314 s 28, & 1990 1st ex.s. c 17 s 77;
27 (~~(16)~~) (14) RCW 43.20A.750 and (~~1995 c 226 s 25, 1993 c 280 s~~
28 ~~38, 1992 c 21 s 4, & 1991 c 153 s 28~~) 1997 c 367 s 16;
29 (~~(17)~~) (15) RCW 43.168.140 and 1995 c 226 s 28 & 1991 c 314 s 20;
30 (~~(18)~~) (16) RCW 50.12.270 and 1997 c 367 s 17, 1995 c 226 s 30,
31 & 1991 c 315 s 3;
32 (~~(19)~~) (17) RCW 50.70.010 and 1995 c 226 s 31, 1992 c 21 s 1, &
33 1991 c 315 s 5; and
34 (~~(20)~~) (18) RCW 50.70.020 and 1995 c 226 s 32 & 1991 c 315 s 6.

35 NEW SECTION. Sec. 1002. RCW 43.160.212 (Rural natural resources
36 impact areas--Loans for public works facilities) and 1996 c 168 s 4,
37 1995 c 226 s 6, 1993 c 316 s 5, 1992 c 21 s 8, & 1991 c 314 s 26 are
38 each repealed.

1 NEW SECTION. **Sec. 1003.** 1997 c 367 s 11, 1995 c 226 s 8, 1993 c
2 316 s 7, & 1991 c 314 s 33 (uncodified) are each repealed.

3 **PART XI**
4 **MISCELLANEOUS**

5 NEW SECTION. **Sec. 1101.** Part headings and subheadings used in
6 this act are not any part of the law.

7 NEW SECTION. **Sec. 1102.** Sections 1, 101, 201 through 205, 301,
8 401, 501 through 503, 601, 602, 701, 702, 801, 802, 901, 902, and 1001
9 through 1003 of this act take effect August 1, 1999.

10 NEW SECTION. **Sec. 1103.** Sections 501 through 503, 601, and 602 of
11 this act do not affect any existing right acquired or liability or
12 obligation under the sections amended or repealed in those sections or
13 any rule or order adopted under those sections, nor does it affect any
14 proceeding instituted under those sections.

15 NEW SECTION. **Sec. 1104.** If any provision of this act or its
16 application to any person or circumstance is held invalid, the
17 remainder of the act or the application of the provision to other
18 persons or circumstances is not affected."

19 **E2SSB 5594** - H COMM AMD
20 By Committee on Economic Development, Housing & Trade

21
22 On page 1, line 1 of the title, after "vitality;" strike the
23 remainder of the title and insert "amending RCW 42.52.080, 82.14.380,
24 82.60.020, 82.60.040, 82.60.070, 82.62.010, 82.62.030, and 43.131.386;
25 adding a new section to chapter 43.63A RCW; adding new sections to
26 chapter 43.31 RCW; adding a new section to chapter 82.04 RCW; adding a
27 new section to chapter 82.16 RCW; adding a new section to chapter 82.60
28 RCW; adding a new section to chapter 82.62 RCW; creating new sections;
29 repealing RCW 43.31.855, 43.31.857, and 43.160.212; repealing 1997 c
30 377 s 3 (uncodified); repealing 1997 c 367 s 11, 1995 c 226 s 8, 1993

1 c 316 s 7, and 1991 c 314 s 33 (uncodified); providing an effective
2 date; and providing expiration dates."

--- **END** ---