

SENATE BILL REPORT

SB 6515

As Reported by Senate Committee On:
Trade & Economic Development, February 6, 2014
Ways & Means, February 11, 2014

Title: An act relating to a pilot program that provides incentives for investments in Washington state job creation and economic development.

Brief Description: Creating a pilot program that provides incentives for investments in Washington state job creation and economic development.

Sponsors: Senators Brown, Chase, Hewitt and Rivers.

Brief History:

Committee Activity: Trade & Economic Development: 2/06/14 [DPS-WM, DNP].
Ways & Means: 2/10/14, 2/11/14 [DPS(TRED)].

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6515 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Braun, Chair; Angel, Vice Chair; Chase, Ranking Member; Holmquist Newbry.

Minority Report: Do not pass.
Signed by Senator Pedersen.

Staff: Jeff Olsen (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6515 as recommended by Committee on Trade & Economic Development be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Conway, Dammeier, Fraser, Hasegawa, Hatfield, Hewitt, Kohl-Welles, Padden, Parlette, Rivers, Schoesler and Tom.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Juliana Roe (786-7438)

Background: Economic development policies are designed to improve the economic wellbeing of a community through efforts that include job creation, job retention, tax base enhancements, and improvements to quality of life. State and local governments may utilize a variety of tools to attract economic investment in their communities. In Washington there are a variety of tax polices including preferential tax rates, credits, exemptions, deductions, and deferrals that are designed to enhance economic activity, create or retain jobs, and attract business investments.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): The Invest in Washington pilot program is established to evaluate the effectiveness of providing a tax incentive for businesses that invest in manufacturing facilities and reinvest all or a portion of those tax savings in employee training programs. The pilot program consists of up to five qualified industrial facilities, of which at least two must be located east of the crest of the Cascade Mountains. A person is allowed a credit against the Business and Occupation tax on a portion of the costs incurred for the construction of an industrial facility. The credit equals the state and local retail sales taxes paid on up to \$10 million in construction costs.

The Invest in Washington Pilot program allows a person to contribute all or any portion of their approved tax credit to the Invest in Washington Account. The Invest in Washington Account, administered by the State Board for Community and Technical Colleges, must be used to support customized job training programs, job skills programs, job readiness training, workforce professional development, and to assist employers with state-approved apprenticeship programs for manufacturing and production occupations. The Department of Revenue must notify the State Treasurer by June 1, 2015, and annually thereafter, the amount of credits contributed to the Invest in Washington Account.

The Joint Legislative Audit and Review Committee must measure the effectiveness of the credit for creating or retaining jobs and providing funding for job training.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Trade & Economic Development): PRO: Washington is one of ten states to use a gross receipts tax, which has led to the creation of a number of preferential rates and deductions. Rather than have government carve out specific exemptions for employers, this pilot program is designed to allow employers to reinvest in their businesses and create more jobs in their communities. An employer could invest a portion of their B&O taxes back into their company and create more jobs. According to the Office of Financial Management input/output model, a manufacturing business creates an

additional \$1.73 of economic activity for each \$1 spent, and creates 7.2 jobs for each \$1 million in business activity. A company that constructs a \$1 million facility could receive up to \$50,000 to reinvest in training for employees in Washington. Washington needs additional incentives to compete with other states, and this pilot provides a measured approach that can be studied and evaluated. Some local economic development tools, such as the Public Works Trust Fund and the Local Revitalization Financing (LRF) program are no longer available. Kennewick successfully used the LRF program to leverage a significant amount of new business development and jobs. Washington needs to continue to promote economic growth and new manufacturing and encourage new investment to improve the economy. Investments in manufacturing help the entire economy. The construction industry has been hurt by the economic downturn, and we need to continue efforts to create jobs, including apprenticeships.

Persons Testifying (Trade & Economic Development): PRO: Senator Brown, prime sponsor; Carl Adrian, Tri-City Development Council; Greg McCormick, city of Kennewick; Lori Mattson, Tri-City Regional Chamber of Commerce; Steve Simmons, Country Gentleman; Terry Tilton, NW Carpenters.

Staff Summary of Public Testimony (Ways & Means): PRO: We are working to reduce the fiscal impact of this bill.

The point of this bill is economic investment. Every \$1 million invested by manufacturers creates 7.2 jobs. That means for \$7.2 million spent, 36 jobs will be created. A manufacturing business creates an additional \$1.73 of economic activity for each \$1 spent.

Persons Testifying (Ways & Means): PRO: Senator Brown, prime sponsor.