

HOUSE BILL REPORT

HB 2728

*As Reported By House Committee on:
Commerce & Labor*

Title: An act relating to the commerce and employment resources act.

Brief Description: Allowing tax credits in an amount equal to that paid as impact fees as determined under the growth management act.

Sponsor(s): Representatives Heavey, Bowman, Rasmussen, Kremen, Carlson, Hochstatter, Van Luven, Forner, P. Johnson, May, Wynne, Tate, Grant, Haugen and Wood.

Brief History:

Reported by House Committee on:
Commerce & Labor, February 6, 1992, DPS.

**HOUSE COMMITTEE ON
COMMERCE & LABOR**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 10 members: Representatives Heavey, Chair; Fuhrman, Ranking Minority Member; Lisk, Assistant Ranking Minority Member; Franklin; Jones; R. King; O'Brien; Prentice; Vance; and Wilson.

Minority Report: *Do not pass.* Signed by 1 member: Representative G. Cole, Vice Chair.

Staff: Chris Cordes (786-7117).

Background:

The 1990 Growth Management Act permits counties and cities that plan under the act to impose impact fees on development activities. The fees are for financing streets and roads, publicly owned parks, open spaces, and recreational facilities, school facilities, and city or town fire protection facilities. Before the fees may be imposed, the county or city must have a capital facilities element in its comprehensive plan addressing the types of facilities for which impact fees will be imposed. The impact fees may be imposed only for public facility improvements that are reasonably related to the new development, that do not

exceed a proportionate share of the costs of public facility improvements, and that will reasonably benefit the new development.

Under the State Environmental Policy Act (SEPA), environmental impact statements must be prepared on major actions that have a probable significant, adverse environmental impact. The SEPA rules provide that threshold determinations should be completed within 15 days. Additional time is permitted for complex proposals needing more information.

Summary of Substitute Bill:

Legislative intent

A statement of legislative intent recognizes that business development and expansion of the state's commerce creates jobs and secures the economic well-being of the state's citizens. To assure continued job growth and economic stability, incentives are needed for employers to invest in the state. Without business growth, the state would not receive increased tax revenues. The state should balance the need for impact fees and regulatory activity related to development with the benefits to the state from business and job growth.

Tax credit for payment of impact fees

On and after July 1, 1993, a business owner who completes improvements for a development project that is subject to impact fees is eligible for a tax credit against the owner's state retail sales tax. The tax credit may be taken against the sales tax paid as a result of the project improvements and may not exceed the amount of impact fees paid as a result of the project improvements.

Environmental review

When environmental review is undertaken, the responsible official must, within 90 days of receipt of a substantially completed application, issue a threshold determination if the determination requires an environmental impact statement. If the threshold determination is a determination of nonsignificance or mitigated determination of nonsignificance, it must be issued within 120 days of receipt of the substantially completed application.

Regulation of small businesses

The Department of Trade and Economic Development must review state and local regulations affecting small businesses and

compile a report on local government's methods used to evaluate the economic impacts of local regulations. By January 1, 1994, the department must report its findings and recommendations to the appropriate committees of the Legislature.

Substitute Bill Compared to Original Bill: The substitute bill provides an effective date of July 1, 1993, and corrects a reference to "mitigated determination of nonsignificance."

Fiscal Note: Requested February 1, 1992.

Effective Date of Substitute Bill: The bill takes effect July 1, 1993.

Testimony For: Business and job growth is needed in Washington to maintain the state's economy. Although the impact of this growth is recognized, there should be a balance between the costs for needed development, especially in economic downturns, and the costs to the local community for infrastructure.

Testimony Against: The changes in SEPA time lines may have unintended effects. If agencies find it more difficult to comply, then the environment will suffer. Agencies need better funding to provide better service. Because of the numerous changes required by the Growth Management Act, it would be better to give the local governments a few years to adjust before changing it again.

Witnesses: (In favor) Representative Michael Heavey, prime sponsor; Larry Brown, Aerospace Machinists; Gary Smith, Independent Business Association; John Woodring, Washington Realtors Association; Carolyn Logue, National Federation of Independent Business; Clif Finch, Association of Washington Business; and Dick Ducharme, Building Industry Association of Washington.

(Opposed) Bruce Wishart, Sierra Club; and Bill Vogler, Washington State Association of Counties.