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**BILL REQUEST - CODE REVISER'S OFFICE**

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BILL REQ. #: H-2168.1/93

ATTY/TYPIST: KT:cls

BRIEF TITLE:

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

7 "NEW SECTION. **Sec. 1.** (1) The legislature finds that:

8 (a) Neighborhoods are a powerful indicator of the diversity and  
9 health of the state;

10 (b) There are geographic areas within communities that are  
11 characterized by a lack of employment opportunities and high  
12 unemployment, by an average income level that is below the median  
13 income level for the surrounding community, by a lack of affordable  
14 housing, by deteriorating infrastructure, and by a lack of facilities  
15 for community services, job training, and education;

16 (c) Strategies to encourage reinvestment in these neighborhoods by  
17 assisting local businesses to become stronger and neighborhood  
18 residents to gain economic power involve a variety of activities;

19 (d) Reinvestment in these neighborhoods cannot be accomplished with  
20 only governmental resources and requires a comprehensive approach that  
21 integrates various incentives, initiatives, and programs to meet the  
22 economic, physical, and social needs of the neighborhood;

23 (e) Successful neighborhood reinvestment depends on a local  
24 government's ability to coordinate public resources in a cohesive  
25 strategy designed to leverage long-term private investment;

26 (f) Neighborhood reinvestment can strengthen the overall community  
27 tax base through increased taxes realized from the establishment of new  
28 business and physical property improvements;

29 (g) Local governments, in cooperation with neighborhood residents,  
30 can provide leadership as well as planning and coordination of  
31 resources and necessary services to address reinvestment in  
32 neighborhoods; and

33 (h) It is in the public interest to adopt a targeted approach to  
34 neighborhood reinvestment and enlist the resources of the public and  
35 private sectors, and neighborhood groups to revitalize neighborhoods.

1 (2) The legislature declares that the purposes of the neighborhood  
2 reinvestment act are to:

3 (a) Encourage neighborhood reinvestment through strong partnerships  
4 and cooperation between all levels of government, community-based  
5 organizations, neighborhood residents, and the private sector;

6 (b) Involve and educate the private sector and stimulate private  
7 reinvestment through the judicious use of public resources;

8 (c) Target governmental resources to those neighborhoods in  
9 greatest need; and

10 (d) Include neighborhood individuals and organizations in the  
11 policy-making process.

12 **PART I -- GENERAL PROVISIONS AND POLICIES**

13 NEW SECTION. **Sec. 101.** (1) It is the goal of the state of  
14 Washington to create an environment that fosters economic reinvestment  
15 and empowerment of neighborhood residents through public and private  
16 sectors, and neighborhood efforts. The legislature declares that  
17 attainment of that goal is a state priority.

18 (2) The objectives of the neighborhood reinvestment act are to  
19 attain the state's goal of economic reinvestment and empowerment of  
20 neighborhood residents by working with the public and private sectors,  
21 and neighborhood residents to:

22 (a) Develop local comprehensive neighborhood reinvestment  
23 strategies that reflect the diverse elements of the neighborhood;

24 (b) Expand homeownership and rental housing opportunities;

25 (c) Increase employment opportunities for neighborhood residents;

26 (d) Link housing and supportive services;

27 (e) Revitalize the physical infrastructure;

28 (f) Develop new private investment in the neighborhood; and

29 (g) Stimulate neighborhood business development and retention.

30 NEW SECTION. **Sec. 102.** Unless the context clearly requires  
31 otherwise, the definitions in this section apply throughout this  
32 chapter.

33 (1) "Affordable housing" means residential housing that is rented  
34 or owned by a person or household whose monthly housing costs,  
35 including utilities other than telephone, do not exceed thirty percent  
36 of the household's monthly income.

1 (2) "Business firm" means any incorporated or unincorporated  
2 business entity authorized to do business in the state of Washington  
3 and subject to the state's business and occupation taxes levied in  
4 chapter 82.04 RCW.

5 (3) "Community service" means any type of counseling and advice,  
6 emergency assistance, or medical care furnished to individuals or  
7 groups in a designated neighborhood reinvestment area.

8 (4) "Crime prevention" means any activity that aids in the  
9 reduction of crime in a designated neighborhood reinvestment area.

10 (5) "Designated neighborhood reinvestment area" means a geographic  
11 area within the boundaries of a local government that meets the  
12 requirements of section 104 of this act and is so designated by the  
13 director of the department of community development.

14 (6) "Education" means any type of scholastic instruction or  
15 scholarship assistance to any person who resides in a designated  
16 neighborhood reinvestment area that enable that person to prepare for  
17 better employment opportunities.

18 (7) "Housing assistance" means any activity that aids in the  
19 acquisition, preservation, rehabilitation, or construction of  
20 affordable housing within a designated neighborhood reinvestment area.

21 (8) "Job training" means any type of instruction to any person who  
22 resides in a designated neighborhood reinvestment area that enable that  
23 person to acquire vocational skills to become employable or seek a  
24 higher grade of employment.

25 (9) "Local government" means a city, town, or county.

26 (10) "Neighborhood assistance" means furnishing financial  
27 assistance, labor, material, or technical assistance to aid in the  
28 provision of community services, crime prevention, education, job  
29 training, and housing assistance activities in a designated  
30 neighborhood reinvestment area.

31 (11) "Nonprofit organization" means any public or private nonprofit  
32 organization that: (a) Is organized under federal, state, or local  
33 laws; (b) has no part of its net earnings inuring to the benefit of any  
34 member, founder, contributor, or individual; and (c) has among its  
35 purposes significant activities related to neighborhood assistance  
36 activities in designated neighborhood reinvestment areas. The term  
37 also includes public housing authorities created under chapter 35.82  
38 RCW and public corporations created under chapter 35.21 RCW that are  
39 located in designated neighborhood reinvestment areas.

1        NEW SECTION.    **Sec. 103.**    (1) Any local government may apply to the  
2 director of the department of community development for designation of  
3 an area within the local government as a designated neighborhood  
4 reinvestment area.

5        (2) The application shall be in the form and manner and contain  
6 such information as the director of the department of community  
7 development may, by rule, determine, provided that the application for  
8 designation shall:

9        (a) Contain information sufficient for the director of the  
10 department of community development to determine if the criteria  
11 established in section 104 of this act have been met.

12        (b) Be submitted on behalf of the local government by its chief  
13 elected official, or, if none, by the governing body of the local  
14 government.

15        (c) Contain a five-year neighborhood reinvestment plan that  
16 describes the proposed designated neighborhood reinvestment area's  
17 community development needs and present a strategy for meeting those  
18 needs. The plan shall address the following categories: Housing  
19 needs; public infrastructure needs, such as transportation, water,  
20 sanitation, energy, and drainage/flood control; other public facilities  
21 needs, such as neighborhood facilities or facilities for provision of  
22 health, education, recreation, public safety, or other services;  
23 community economic development needs, such as commercial/industrial  
24 revitalization, job creation and retention considering the unemployment  
25 and underemployment of area residents, accessibility to financial  
26 resources by area residents and businesses, investment within the area,  
27 or other related components of community economic development; and  
28 social service needs.

29        The local government is required to provide a description of its  
30 strategy for meeting the needs identified in this subsection (2)(c).  
31 As part of the strategy, the local government is required to identify  
32 the needs for which specific plans are currently in place and the  
33 source of funds expected to be used. For the balance of the area's  
34 needs, the local government must identify the source of funds expected  
35 to become available during the next two-year period and actions the  
36 local government will take to acquire those funds.

37        (d) Certify that neighborhood residents were given the opportunity  
38 to participate in the development of the five-year neighborhood  
39 reinvestment strategy required under (c) of this subsection.

1 (3) No local government shall submit more than two neighborhoods to  
2 the director of the department of community development for possible  
3 designation as a designated neighborhood reinvestment area under this  
4 section.

5 (4)(a) Within ninety days after January 1, 1994, the director of  
6 the department of community development may designate up to six  
7 designated neighborhood reinvestment areas from among the applications  
8 eligible for designation as a designated neighborhood reinvestment area  
9 under this section. The director of the department of community  
10 development shall make determinations of designated neighborhood  
11 reinvestment areas on the basis of the following factors:

12 (i) The strength and quality of the local government commitments to  
13 meet the needs identified in the five-year neighborhood reinvestment  
14 plan required under this section.

15 (ii) The level of private commitments by private entities of  
16 additional resources and contribution to the designated neighborhood  
17 reinvestment area.

18 (iii) The potential for reinvestment in the area as a result of  
19 designation as a designated neighborhood reinvestment area.

20 (iv) Other factors the director of the department of community  
21 development deems necessary.

22 (b) The determination of the director of the department of  
23 community development as to the areas designated as neighborhood  
24 reinvestment areas shall be final.

25 NEW SECTION. **Sec. 104.** (1) The director of the department of  
26 community development may not designate any area as a designated  
27 neighborhood reinvestment area unless that area meets the following  
28 requirements:

29 (a) The area must be designated by the legislative authority of the  
30 local government as an area to receive federal, state, and local  
31 assistance designed to increase economic, physical, or social activity  
32 in the area;

33 (b) The area must have at least fifty-one percent of the households  
34 in the area with incomes at or below eighty percent of the county's  
35 median income, adjusted for household size;

36 (c) The average unemployment rate for the area, for the most recent  
37 twelve-month period for which data is available must be at least one

1 hundred twenty percent of the average unemployment rate of the county;  
2 and

3 (d) A five-year neighborhood reinvestment plan for the area that  
4 meets the requirements of section 103(2)(c) of this act and as further  
5 defined by the director of the department of community development must  
6 be adopted.

7 (2) The director of the department of community development may  
8 establish, by rule, such other requirements as the director may  
9 reasonably determine necessary and appropriate to assure that the  
10 purposes of this section are satisfied.

11 (3) In determining if an area meets the requirements of this  
12 section, the director of the department of community development may  
13 consider data provided by the United State bureau of the census from  
14 the most recent census or any other reliable data that the director  
15 determines to be acceptable for the purposes for which the data is  
16 used.

17 **PART II -- BUSINESS AND HOUSING TAX INCENTIVES**

18 **Subpart A - Business and Occupation Tax Credits for Contributions**

19 NEW SECTION. **Sec. 201.** Unless the context clearly requires  
20 otherwise, the definitions in this section apply throughout sections  
21 202 through 206 of this act.

22 (1) "Affordable housing" has the same meaning as in section 102 of  
23 this act.

24 (2) "Business firm" has the same meaning as in section 102 of this  
25 act.

26 (3) "Community service" has the same meaning as in section 102 of  
27 this act.

28 (4) "Crime prevention" has the same meaning as in section 102 of  
29 this act.

30 (5) "Designed neighborhood reinvestment area" has the same meaning  
31 as in section 102 of this act.

32 (6) "Education" has the same meaning as in section 102 of this act.

33 (7) "Housing assistance" has the same meaning as in section 102 of  
34 this act.

35 (8) "Job training" has the same meaning as in section 102 of this  
36 act.

1 (9) "Neighborhood assistance" has the same meaning as in section  
2 102 of this act.

3 (10) "Nonprofit organization" has the same meaning as in section  
4 102 of this act.

5 (11) "Recipient" means the person or business firm receiving tax  
6 credits under this chapter.

7 NEW SECTION. **Sec. 202.** The department shall establish a program  
8 to provide tax credits to business firms making contributions to  
9 nonprofit organizations that are undertaking neighborhood assistance  
10 activities in designated neighborhood reinvestment areas. The tax  
11 credit may be used as a credit against any of the taxes imposed on the  
12 business firm under this chapter.

13 NEW SECTION. **Sec. 203.** (1) Application for tax credit under this  
14 chapter must be made before the actual contribution to the neighborhood  
15 assistance activity is made. The application shall be made to the  
16 department of community development in a form and manner prescribed by  
17 the department of revenue and department of community development.

18 (2) The department of community development shall transmit a copy  
19 of the completed application for tax credits to the department of  
20 revenue, with its recommendations, within ten working days after  
21 receipt thereof. Within thirty days after receipt of the completed  
22 application from the department of community development, the  
23 department of revenue shall determine the amount of tax credits to be  
24 allocated to the business firm. The department of revenue shall notify  
25 the department of community development of its decision within ten  
26 working days.

27 (3) The department of revenue, in consultation with the department  
28 of community development, shall adopt rules specifying the  
29 administrative procedures applicable to applicants for tax credits, the  
30 form and manner in which the applications shall be filed, and the  
31 information to be contained therein. The rule shall apply to  
32 administrative procedure before the department of revenue and the  
33 department of community development.

34 NEW SECTION. **Sec. 204.** In order to qualify for the tax credits in  
35 section 202 of this act, the neighborhood assistance activity must meet  
36 the following requirements:



1 (1) The neighborhood assistance activity must be located in a  
2 designated neighborhood reinvestment area;

3 (2) The business firm's contribution must be made to a nonprofit  
4 organization that is undertaking neighborhood assistance activities  
5 that are consistent with the area's five-year neighborhood reinvestment  
6 strategy under section 103 of this act.

7 NEW SECTION. **Sec. 205.** (1) No tax credit under this chapter for  
8 neighborhood assistance activities may be issued after December 31,  
9 2001.

10 (2) The department shall grant a credit against the tax due under  
11 this chapter of an amount equal to fifty percent of the approved amount  
12 contributed by the business firm for eligible neighborhood assistance  
13 activities in designated neighborhood reinvestment areas during the  
14 taxable year.

15 (3) Any tax credit not used during the taxable year in which the  
16 contribution was made may be carried forward for the five immediately  
17 succeeding taxable years until the full credit has been used.

18 (4) The department shall keep a running total of all tax credits  
19 granted under this chapter during each fiscal biennium. The department  
20 shall not allow any credits that would cause the total tabulation for  
21 a biennium to exceed one million dollars. If all or part of an  
22 application for credit is disallowed under this subsection, the  
23 disallowed portion shall be carried over for approval the next  
24 biennium.

25 (5) No tax credit shall be granted to any bank, bank and trust  
26 company, trust company, national bank, savings bank, savings  
27 association, or savings and loan association for activities that are a  
28 part of its normal course of business.

29 (6) No recipient is eligible for tax credits in excess of one  
30 hundred thousand dollars during the taxable year and no tax credit  
31 shall be granted to any business firm for any amount contributed of  
32 less than two hundred fifty dollars.

33 NEW SECTION. **Sec. 206.** Applications and any other information  
34 received by the department under sections 202 through 205 of this act  
35 shall not be confidential and shall be subject to disclosure.

36 **Subpart B - Tax Incentives for the Preservation of Affordable Housing**

1        NEW SECTION.    **Sec. 207.**    A new section is added to chapter 82.08

2    RCW to read as follows:

3        (1) The tax levied by RCW 82.08.020 shall not apply to the retail  
4    sale of building materials used in the remodeling, rehabilitation, or  
5    new construction of affordable housing or to the labor used to  
6    incorporate such building materials into real estate. As used in this  
7    section, "affordable housing" is as defined in section 102 of this act.

8        (2) In order to qualify for the exemption of retail sales tax on  
9    materials or labor under this section, the affordable housing must meet  
10   the following requirements:

11        (a) The affordable housing must be located in a designated  
12   neighborhood reinvestment area under section 103 of this act;

13        (b) The affordable housing development must be owned by an  
14   organization eligible to receive assistance through the Washington  
15   housing trust fund created in chapter 43.185 RCW;

16        (c) The affordable housing development must contain two or more  
17   residential rental dwelling units. Rental units used on a transient  
18   basis shall not be considered under this section; and

19        (d) At least fifty percent of the dwelling units must be set aside  
20   for occupancy by households with incomes at or below eighty percent of  
21   the median income, adjusted for household size, for the county where  
22   the dwelling unit is located for a period of at least twenty-five  
23   years.

24        (3) The department of revenue, in consultation with the department  
25   of community development, shall adopt rules specifying the  
26   administrative procedures applicable to applicants for exemption from  
27   retail sales tax on materials or labor, the form, manner, and time in  
28   which applications shall be filed, the information to be contained  
29   therein, and criteria for the approval or denial of requests for the  
30   exemption from retail sales tax on materials or labor under this  
31   chapter. The rules shall apply to both the department of revenue and  
32   the department of community development.

33        (4) The department of revenue shall grant an exemption from retail  
34   sales tax on materials or labor for affordable housing that is approved  
35   by the department of community development. The department of revenue  
36   shall keep a running total of exemptions granted under this section and  
37   section 208 of this act during each fiscal biennium. The department of  
38   revenue shall not allow any exemption that would cause the total

1 tabulation for a biennium to exceed seven hundred fifty thousand  
2 dollars.

3 (5) This section shall expire January 1, 2002.

4 NEW SECTION. **Sec. 208.** A new section is added to chapter 82.12  
5 RCW to read as follows:

6 (1) The provisions of this chapter shall not apply in respect to  
7 the use of building materials used in the remodeling, rehabilitation,  
8 or new construction of affordable housing or to the labor used to  
9 incorporate such building materials into real estate. As used in this  
10 section, "affordable housing" is as defined in section 102 of this act.

11 (2) In order to qualify for the exemption granted by this section,  
12 the affordable housing must meet the following requirements:

13 (a) The affordable housing must be located in a designated  
14 neighborhood reinvestment area under section 103 of this act;

15 (b) The affordable housing development must be owned by an  
16 organization eligible to receive assistance through the Washington  
17 housing trust fund created in chapter 43.185 RCW;

18 (c) The affordable housing development must contain two or more  
19 residential rental dwelling units. Rental units used on a transient  
20 basis shall not be considered under this section; and

21 (d) At least fifty percent of the dwelling units must be set aside  
22 for occupancy by households with incomes at or below eighty percent of  
23 the median income, adjusted for household size, for the county where  
24 the dwelling unit is located for a period of at least twenty-five  
25 years.

26 (3) The department of revenue, in consultation with the department  
27 of community development, shall adopt rules specifying the  
28 administrative procedures applicable to applicants for the tax  
29 exemption under this section, the form, manner, and time in which  
30 applications shall be filed, the information to be contained therein,  
31 and criteria for the approval or denial of requests for the tax  
32 exemption under this chapter. The rules shall apply to both the  
33 department of revenue and the department of community development.

34 (4) This section shall expire January 1, 2002.

35 **Subpart C - Tax Incentives for Business Development and Retention**

1       **Sec. 209.** RCW 82.62.010 and 1988 c 42 s 17 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 credit under this  
6 chapter.

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

8       (3) "Eligible area" means: (a) A county in which the average level  
9 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; ~~((or))~~ (b) a  
12 metropolitan statistical area, as defined by the office of federal  
13 statistical policy and standards, United States department of commerce,  
14 in which the average level of unemployment for the calendar year  
15 immediately preceding the year in which an application is filed under  
16 this chapter exceeds the average state unemployment for such calendar  
17 year by twenty percent ~~((. Applications under this subsection (3)(b)~~  
18 ~~shall be filed by April 30, 1989));~~ or (c) a designated neighborhood  
19 reinvestment area approved under section 103 of this act.

20       (4)(a) "Eligible business project" means manufacturing or research  
21 and development activities which are conducted by an applicant in an  
22 eligible area at a specific facility: PROVIDED, That the applicant's  
23 average full-time qualified employment positions at the specific  
24 facility will be at least fifteen percent greater in the year for which  
25 the credit is being sought than the applicant's average full-time  
26 qualified employment positions at the same facility in the immediately  
27 preceding year.

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

33       (5) "Manufacturing" means all activities of a commercial or  
34 industrial nature wherein labor or skill is applied, by hand or  
35 machinery, to materials so that as a result thereof a new, different,  
36 or useful substance or article of tangible personal property is  
37 produced for sale or commercial or industrial use and shall include the  
38 production or fabrication of specially made or custom made articles.  
39 "Manufacturing" also includes computer programming, the production of

1 computer software, and other computer-related services, and the  
2 activities performed by research and development laboratories and  
3 commercial testing laboratories.

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

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

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

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

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

17 **Sec. 210.** RCW 82.62.040 and 1988 c 41 s 4 are each amended to read  
18 as follows:

19 RCW 82.62.020 and 82.62.030 shall expire (~~July 1, 1994~~) January  
20 1, 2002.

21 **Sec. 211.** RCW 82.60.020 and 1988 c 42 s 16 are each amended to  
22 read as follows:

23 Unless the context clearly requires otherwise, the definitions in  
24 this section apply throughout this chapter.

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

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

28 (3) "Eligible area" means: (a) A county in which the average level  
29 of unemployment for the three years before the year in which an  
30 application is filed under this chapter exceeds the average state  
31 unemployment for those years by twenty percent; (~~or~~) (b) a  
32 metropolitan statistical area, as defined by the office of federal  
33 statistical policy and standards, United States department of commerce,  
34 in which the average level of unemployment for the calendar year  
35 immediately preceding the year in which an application is filed under  
36 this chapter exceeds the average state unemployment for such calendar  
37 year by twenty percent(~~(. Applications under this subsection (3)(b)~~

1 ~~shall be filed by April 30, 1989~~); or (c) a designated neighborhood  
2 reinvestment area approved under section 103 of this act.

3 (4)(a) "Eligible investment project" means that portion of an  
4 investment project which:

5 (i) Is directly utilized to create at least one new full-time  
6 qualified employment position for each three hundred thousand dollars  
7 of investment on which a deferral is requested; and

8 (ii) Either initiates a new operation, or expands or diversifies a  
9 current operation by expanding or renovating an existing building with  
10 costs in excess of twenty-five percent of the true and fair value of  
11 the plant complex prior to improvement; or

12 (iii) Acquires machinery and equipment to be used for either  
13 manufacturing or research and development if the machinery and  
14 equipment is housed in a new leased structure: PROVIDED, That the  
15 lessor/owner of the structure is not eligible for a deferral unless the  
16 underlying ownership of the buildings, machinery, and equipment vests  
17 exclusively in the same person.

18 (b) "Eligible investment project" does not include any portion of  
19 an investment project undertaken by a light and power business as  
20 defined in RCW 82.16.010(5) or investment projects which have already  
21 received deferrals under this chapter.

22 (5) "Investment project" means an investment in qualified buildings  
23 and qualified machinery and equipment, including labor and services  
24 rendered in the planning, installation, and construction of the  
25 project.

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

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

37 (8) "Qualified buildings" means new structures used for  
38 manufacturing and research and development activities, including plant  
39 offices and warehouses or other facilities for the storage of raw

1 material or finished goods if such facilities are an essential or an  
2 integral part of a factory, mill, plant, or laboratory used for  
3 manufacturing or research and development. If a building is used  
4 partly for manufacturing or research and development and partly for  
5 other purposes, the applicable tax deferral shall be determined by  
6 apportionment of the costs of construction under rules adopted by the  
7 department.

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

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

19 (11) "Recipient" means a person receiving a tax deferral under this  
20 chapter.

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

27 **Sec. 212.** RCW 82.60.050 and 1988 c 41 s 5 are each amended to read  
28 as follows:

29 RCW 82.60.030 and 82.60.040 shall expire (~~July 1, 1994~~) January  
30 1, 2002.

31 **Sec. 213.** RCW 82.61.010 and 1988 c 41 s 1 are each amended to read  
32 as follows:

33 Unless the context clearly requires otherwise, the definitions in  
34 this section apply throughout this chapter.

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

37 (2) "Person" has the meaning given in RCW 82.04.030.

1 (3) "Department" means the department of revenue.

2 (4) "Eligible investment project" means:

3 (a) Construction of new buildings and the acquisition of new  
4 related machinery and equipment when the buildings, machinery, and  
5 equipment are to be used for either manufacturing or research and  
6 development activities, which construction is commenced prior to  
7 December 31, (~~1994~~) 2001; or

8 (b) Acquisition prior to December 31, (~~1994~~) 2001, of new  
9 machinery and equipment to be used for either manufacturing or research  
10 and development if the machinery and equipment is housed in a new  
11 leased structure: PROVIDED, That the lessor/owner of the structure is  
12 not eligible for a deferral unless the underlying ownership of the  
13 buildings, machinery, and equipment vests exclusively in the same  
14 person; or

15 (c) Acquisition of all new or used machinery, equipment, or other  
16 personal property for use in the production or casting of aluminum at  
17 an aluminum smelter or at facilities related to an aluminum smelter, if  
18 the plant was in operation prior to 1975 and has ceased operations or  
19 is in imminent danger of ceasing operations for economic reasons, as  
20 determined by the department, and if the person applying for a deferral  
21 (i) has consulted with any collective bargaining unit that represented  
22 employees of the plant pursuant to a collective bargaining agreement  
23 that was in effect either immediately prior to the time the plant  
24 ceased operations or during the period when the plant was in imminent  
25 danger of ceasing operations, on the proposed operation of the plant  
26 and on the terms and conditions of employment for wage and salaried  
27 employees and (ii) has obtained a written concurrence from the  
28 bargaining unit on the decision to apply for a deferral under this  
29 chapter; or

30 (d) Modernization projects involving construction, acquisition, or  
31 upgrading of equipment or machinery, including services and labor,  
32 which are commenced after May 19, 1987, and are intended to increase  
33 the operating efficiency of existing plants which are either aluminum  
34 smelters or aluminum rolling mills or of facilities related to such  
35 plants, if the plant was in operation prior to 1975, and if the person  
36 applying for a deferral (i) has consulted with any collective  
37 bargaining unit that represents employees of the plant on the proposed  
38 operation of the plant and the terms and conditions of employment for  
39 wage and salaried employees and (ii) has obtained a written concurrence



1 from the bargaining unit on the decision to apply for a deferral under  
2 this chapter.

3 (5) "Manufacturing" means all activities of a commercial or  
4 industrial nature wherein labor or skill is applied, by hand or  
5 machinery, to materials so that as a result thereof a new, different,  
6 or useful substance or article of tangible personal property is  
7 produced for sale or commercial or industrial use and includes the  
8 production or fabrication of specially made or custom-made articles.

9 (6) "Research and development" means the development, refinement,  
10 testing, marketing, and commercialization of a product, service, or  
11 process before commercial sales have begun.

12 (7) "Buildings" means only those new structures used for either  
13 manufacturing or research and development activities, including plant  
14 offices and warehouses or other facilities for the storage of raw  
15 materials or finished goods if such facilities are an essential or an  
16 integral part of a factory, mill, plant, or laboratory used for  
17 manufacturing or research and development purposes. If a building is  
18 used partly for manufacturing or research and development and partly  
19 for other purposes, the applicable tax deferral shall be determined by  
20 apportionment of the costs of construction under rules adopted by the  
21 department.

22 (8) "Machinery and equipment" means all industrial and research  
23 fixtures, equipment, and support facilities that are an integral and  
24 necessary part of a manufacturing or research and development  
25 operation. "Qualified machinery and equipment" includes computers;  
26 software; data processing equipment; laboratory equipment;  
27 manufacturing components such as belts, pulleys, shafts, and moving  
28 parts; molds, tools, and dies; operating structures; and all equipment  
29 used to control or operate the machinery. For purposes of this  
30 chapter, new machinery and equipment means either new to the taxing  
31 jurisdiction of the state or new to the certificate holder. Used  
32 machinery and equipment may be treated as new equipment and machinery  
33 if the certificate holder either brings the machinery and equipment  
34 into Washington or makes a retail purchase of the machinery and  
35 equipment in Washington or elsewhere.

36 (9) "Qualified employment position" means a permanent full-time  
37 employee employed in the eligible investment project during the entire  
38 tax year.

1 (10) "Recipient" means a person receiving a tax deferral under this  
2 chapter.

3 (11) "Certificate holder" means an applicant to whom a tax deferral  
4 certificate has been issued.

5 (12) "Operationally complete" means constructed or improved to the  
6 point of being functionally useable for the intended purpose.

7 (13) "Initiation of construction" means that date upon which on-  
8 site construction commences.

9 **Sec. 214.** RCW 82.61.040 and 1988 c 41 s 2 are each amended to read  
10 as follows:

11 RCW 82.61.020 and 82.61.030 shall expire (~~July 1, 1994~~) January  
12 1, 2002.

13 **Sec. 215.** RCW 82.61.070 and 1988 c 41 s 3 are each amended to read  
14 as follows:

15 The department and the department of trade and economic development  
16 shall jointly report to the legislature about the effects of this  
17 chapter on new manufacturing and research and development activities in  
18 this state. The report shall contain information concerning the number  
19 of deferral certificates granted, the amount of sales tax deferred, the  
20 number of jobs created and other information useful in measuring such  
21 effects. Reports shall be submitted by January 1, 1986, and by January  
22 1 of each year through (~~1995~~) 2003.

23 NEW SECTION. **Sec. 216.** A new section is added to chapter 82.08  
24 RCW to read as follows:

25 (1) The tax levied by RCW 82.08.020 shall not apply to the retail  
26 sale of building materials used in the remodeling or expansion of a  
27 commercial or industrial structure or to the labor used to incorporate  
28 such building materials into real estate.

29 (2) In order to qualify for the exemption of retail sales tax on  
30 materials or labor under this section, the commercial or industrial  
31 structure must be located in a designated neighborhood reinvestment  
32 area under section 103 of this act.

33 (3) The department of revenue, in consultation with the department  
34 of community development, shall adopt rules specifying the  
35 administrative procedures applicable to applicants for exemption from  
36 retail sales tax on materials or labor, the form, manner, and time in

1 which applications shall be filed, the information to be contained  
2 therein, and criteria for the approval or denial of requests for the  
3 exemption from retail sales tax on materials or labor under this  
4 chapter. The rules shall apply to both the department of revenue and  
5 the department of community development.

6 (4) The department of revenue shall grant an exemption from retail  
7 sales tax on materials or labor for commercial or industrial structures  
8 that are approved by the department of community development. The  
9 department of revenue shall keep a running total of exemptions granted  
10 under this section and section 217 of this act during each fiscal  
11 biennium. The department of revenue shall not allow any exemption that  
12 would cause the total tabulation for a biennium to exceed two hundred  
13 fifty thousand dollars.

14 (5) This section shall expire January 1, 2002.

15 NEW SECTION. **Sec. 217.** A new section is added to chapter 82.12  
16 RCW to read as follows:

17 (1) The provisions of this chapter shall not apply in respect to  
18 the use of building materials used in the remodeling or expansion of a  
19 commercial or industrial structure or to the labor used to incorporate  
20 such building materials into real estate.

21 (2) In order to qualify for the exemption granted by this section,  
22 the commercial or industrial structure must be located in a designated  
23 neighborhood reinvestment area under section 103 of this act.

24 (3) The department of revenue, in consultation with the department  
25 of community development, shall adopt rules specifying the  
26 administrative procedures applicable to applicants for the tax  
27 exemption under this section, the form, manner, and time in which  
28 applications shall be filed, the information to be contained therein,  
29 and criteria for the approval or denial of requests for the tax  
30 exemption under this chapter. The rules shall apply to both the  
31 department of revenue and the department of community development.

32 (4) This section shall expire January 1, 2002.

33 **PART III -- COMMUNITY REINVESTMENT AND PRIVATE INVESTMENT**

34 **Subpart A - Deposit of Surplus State Funds**

35 NEW SECTION. **Sec. 301.** (1) No later than fifteen days after  
36 receipt of a written evaluation under the federal community

1 reinvestment act (12 U.S.C. Sec. 2901 et seq.) each qualified public  
2 depository under the provisions of chapter 39.58 RCW shall submit to  
3 the Washington public deposit protection commission a copy of such  
4 written evaluation.

5 (2) Only those qualified public depositories assigned a rating of  
6 satisfactory or better shall be eligible to receive deposits under the  
7 provisions of chapter 43.86A RCW. Those qualified public depositories  
8 assigned a rating less than satisfactory shall be notified by the  
9 Washington public deposit protection commission that a failure to  
10 receive at least a rating of satisfactory, at the next written  
11 evaluation, will make the qualified public depository ineligible to  
12 receive deposits under chapter 43.86A RCW.

13 (3) Those qualified public depositories assigned less than  
14 satisfactory ratings for two consecutive evaluations shall be  
15 ineligible to receive deposits under the provisions of chapter 43.86A  
16 RCW, until the performance of the qualified public depository in  
17 meeting the community credit needs is determined to be at least  
18 satisfactory by the Washington public deposit protection commission.

19 NEW SECTION. **Sec. 302.** The Washington public deposit protection  
20 commission shall compile community reinvestment act ratings required  
21 under the federal community reinvestment act (12 U.S.C. Sec. 2901 et  
22 seq.). The Washington public deposit protection commission shall make  
23 this information available to the public.

24 **Subpart B - Linked Deposit Program**

25 NEW SECTION. **Sec. 303.** (1) The legislature finds that:

26 (a) There are parts of communities throughout the state that are  
27 experiencing economic stagnation or decline;

28 (b) The unemployment and underemployment in these areas threaten  
29 the safety, health, and welfare of residents of these areas, decreasing  
30 the value of private investment and jeopardizing the sources of public  
31 revenue; and

32 (c) The revitalization of these areas requires the development of  
33 new business ventures and the stimulation of private investment.

34 (2) The legislature declares that it is the intent of the linked  
35 deposit program to provide capital to promote community economic  
36 development and job creation in designated neighborhood reinvestment

1 areas by authorizing the state treasurer to operate a program which  
2 links state deposits to business and residential loans by financial  
3 institutions.

4 NEW SECTION. **Sec. 304.** (1) The state treasurer shall establish a  
5 linked deposit program for investments in certificates of deposit in  
6 Washington financial institutions. As a condition of participating in  
7 the program, financial institutions must make qualifying loans as  
8 provided in section 305 of this act. Each certificate of deposit  
9 purchased by the state treasurer shall be equal to the amount of the  
10 qualifying loan made by the financial institution. The state treasurer  
11 is authorized to set interest rates on certificates and on qualifying  
12 loans consistent with the intent of sections 303 through 306 of this  
13 act and sound financial practices.

14 (2) Qualifying loans under the linked deposit program are those  
15 which:

16 (a) Are made in designated neighborhood reinvestment areas as  
17 defined in section 102 of this act;

18 (b)(i) Are made to a small business with a majority of employees in  
19 the state or (ii) are residential mortgage loans for single-family or  
20 multifamily housing that is affordable to low-income households as  
21 defined in RCW 43.185A.010; and

22 (c) Are consistent with other criteria set by the state treasurer.

23 (3) In setting interest rates on certificates, the state treasurer  
24 shall offer rates so that a two percent preference in lending will be  
25 given to businesses engaged in manufacturing, export, providing  
26 services for sale outside the state, or residential mortgage lending.

27 NEW SECTION. **Sec. 305.** The state and those acting as its agents  
28 are not liable in any manner for payment of the principal or interest  
29 on qualifying loans under the linked deposit program. Any delay in  
30 payments or default on the part of the borrower does not in any manner  
31 affect the deposit agreement between the financial institution and the  
32 state treasurer.

33 NEW SECTION. **Sec. 306.** The state treasurer may use up to fifty  
34 million dollars per year of state funds for the linked deposit program.

35 **PART IV -- EMPLOYMENT OF NEIGHBORHOOD RESIDENTS**



1        NEW SECTION.    **Sec. 504.**    This act may be known and cited as the  
2    "neighborhood reinvestment act."

--- **END** ---