

2 **HB 2337** - S COMM AMD
3 By Committee on Ways & Means

4 ADOPTED 3/7/96

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

7 "**Sec. 1.** RCW 43.160.210 and 1991 c 314 s 25 are each amended to
8 read as follows:

9 (1) Except as authorized to the contrary under subsection (2) of
10 this section, from all funds available to the board for loans and
11 grants, the board shall spend at least twenty percent for grants and
12 loans for projects in distressed counties. For purposes of this
13 section, the term "distressed counties" includes any county, in which:
14 (a) The average level of unemployment for the three years before the
15 year in which an application for a loan or grant is filed, exceeds the
16 average state employment for those years by twenty percent; or (b) a
17 county that has a median household income that is less than
18 seventy-five percent of the state median household income for the
19 previous three years.

20 (2) If at any time during the last six months of a biennium the
21 board finds that the actual and anticipated applications for qualified
22 projects in distressed counties are clearly insufficient to use up the
23 twenty percent allocation, then the board shall estimate the amount of
24 the insufficiency and during the remainder of the biennium may use that
25 amount of the allocation for loans and grants for projects not located
26 in distressed counties.

27 **Sec. 2.** RCW 43.165.010 and 1995 c 399 s 91 are each amended to
28 read as follows:

29 Unless the context clearly requires to the contrary, the
30 definitions in this section apply throughout this chapter.

31 (1) "Department" means the department of community, trade, and
32 economic development.

33 (2) "Director" means the director of the department.

34 (3) "Distressed area" means: (a) A county that has an unemployment
35 rate that is twenty percent above the state-wide average for the

1 previous three years; ~~((e))~~ (b) a county that has a median household
2 income that is less than seventy-five percent of the state median
3 household income for the previous three years; (c) a community or area
4 that has experienced sudden and severe or long-term and severe loss of
5 employment, or erosion of its economic base due to decline of its
6 dominant industries; or ~~((e))~~ (d) an area within a county which area:
7 (i) Is composed of contiguous census tracts; (ii) has a minimum
8 population of five thousand persons; (iii) has at least seventy percent
9 of its families and unrelated individuals with incomes below eighty
10 percent of the county's median income for families and unrelated
11 individuals; and (iv) has an unemployment rate which is at least forty
12 percent higher than the county's unemployment rate. For purposes of
13 this definition, "families and unrelated individuals" has the same
14 meaning that is ascribed to that term by the federal department of
15 housing and urban development in its regulations authorizing action
16 grants for economic development and neighborhood revitalization
17 projects.

18 (4) "Economic development revolving loan funds" means a local, not-
19 for-profit or governmentally sponsored business loan program.

20 (5) "Team" means the community revitalization team.

21 (6) "Technical assistance" includes, but is not limited to,
22 assistance with strategic planning, market research, business plan
23 development review, organization and management development, accounting
24 and legal services, grant and loan packaging, and other assistance
25 which may be expected to contribute to the redevelopment and economic
26 well-being of a distressed area.

27 **Sec. 3.** RCW 43.168.020 and 1995 c 226 s 27 are each amended to
28 read as follows:

29 Unless the context clearly requires otherwise, the definitions in
30 this section apply throughout this chapter.

31 (1) "Committee" means the Washington state development loan fund
32 committee.

33 (2) "Department" means the department of community, trade, and
34 economic development.

35 (3) "Director" means the director of community, trade, and economic
36 development.

37 (4) "Distressed area" means: (a) A county which has an
38 unemployment rate which is twenty percent above the state average for

1 the immediately previous three years; (b) a county that has a median
2 household income that is less than seventy-five percent of the state
3 median household income for the previous three years; (c) a
4 metropolitan statistical area, as defined by the office of federal
5 statistical policy and standards, United States department of commerce,
6 in which the average level of unemployment for the calendar year
7 immediately preceding the year in which an application is filed under
8 this chapter exceeds the average state unemployment for such calendar
9 year by twenty percent(~~(. Applications under this subsection (4)(b)~~
10 ~~shall be filed by April 30, 1989; (c))~~); (d) an area within a county,
11 which area: (i) Is composed of contiguous census tracts; (ii) has a
12 minimum population of five thousand persons; (iii) has at least seventy
13 percent of its families and unrelated individuals with incomes below
14 eighty percent of the county's median income for families and unrelated
15 individuals; and (iv) has an unemployment rate which is at least forty
16 percent higher than the county's unemployment rate; or (~~(d)~~) (e) a
17 county designated as a rural natural resources impact area under RCW
18 43.31.601 if an application is filed by July 1, (~~(1993))~~ 1997. For
19 purposes of this definition, "families and unrelated individuals" has
20 the same meaning that is ascribed to that term by the federal
21 department of housing and urban development in its regulations
22 authorizing action grants for economic development and neighborhood
23 revitalization projects.

24 (5) "Fund" means the Washington state development loan fund.

25 (6) "Local development organization" means a nonprofit organization
26 which is organized to operate within an area, demonstrates a commitment
27 to a long-standing effort for an economic development program, and
28 makes a demonstrable effort to assist in the employment of unemployed
29 or underemployed residents in an area.

30 (7) "Project" means the establishment of a new or expanded business
31 in an area which when completed will provide employment opportunities.
32 "Project" also means the retention of an existing business in an area
33 which when completed will provide employment opportunities.

34 **Sec. 4.** RCW 82.60.020 and 1995 1st sp.s. c 3 s 5 are each amended
35 to read as follows:

36 Unless the context clearly requires otherwise, the definitions in
37 this section apply throughout this chapter.

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

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

4 (3) "Eligible area" means: (a) A county in which the average level
5 of unemployment for the three years before the year in which an
6 application is filed under this chapter exceeds the average state
7 unemployment for those years by twenty percent; (b) a county that has
8 a median household income that is less than seventy-five percent of the
9 state median household income for the previous three years; (c) a
10 metropolitan statistical area, as defined by the office of federal
11 statistical policy and standards, United States department of commerce,
12 in which the average level of unemployment for the calendar year
13 immediately preceding the year in which an application is filed under
14 this chapter exceeds the average state unemployment for such calendar
15 year by twenty percent; ~~((+e))~~ (d) a designated community empowerment
16 zone approved under RCW 43.63A.700 or a county containing such a
17 community empowerment zone; ~~((+d))~~ (e) a town with a population of
18 less than twelve hundred persons in those counties that are not covered
19 under (a) of this subsection that are timber impact areas as defined in
20 RCW 43.31.601; ~~((+e))~~ (f) a county designated by the governor as an
21 eligible area under RCW 82.60.047; or ~~((+f))~~ (g) a county that is
22 contiguous to a county that qualifies as an eligible area under (a) or
23 ~~((+e))~~ (f) of this subsection.

24 (4)(a) "Eligible investment project" means:

25 (i) An investment project in an eligible area as defined in
26 subsection (3)(a), (b), ~~((+d), or)~~ (c), (e), or (f) of this section;
27 or

28 (ii) That portion of an investment project in an eligible area as
29 defined in subsection (3)~~((+e))~~(d) or ~~((+f))~~ (g) of this section
30 which is directly utilized to create at least one new full-time
31 qualified employment position for each three hundred thousand dollars
32 of investment on which a deferral is requested in an application
33 approved before July 1, 1994, and for each seven hundred fifty thousand
34 dollars of investment on which a deferral is requested in an
35 application approved after June 30, 1994.

36 (b) The lessor/owner of a qualified building is not eligible for a
37 deferral unless the underlying ownership of the buildings, machinery,
38 and equipment vests exclusively in the same person, or unless the

1 lessor by written contract agrees to pass the economic benefit of the
2 deferral to the lessee in the form of reduced rent payments.

3 (c) For purposes of (a)(ii) of this subsection:

4 (i) The department shall consider the entire investment project,
5 including any investment in machinery and equipment that otherwise
6 qualifies for exemption under RCW 82.08.02565 or 82.12.02565, for
7 purposes of determining the portion of the investment project that
8 qualifies for deferral as an eligible investment project; and

9 (ii) The number of new full-time qualified employment positions
10 created by an investment project shall be deemed to be reduced by the
11 number of full-time employment positions maintained by the recipient in
12 any other community in this state that are displaced as a result of the
13 investment project.

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

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

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

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

36 (8) "Qualified buildings" means construction of new structures, and
37 expansion or renovation of existing structures for the purpose of
38 increasing floor space or production capacity used for manufacturing
39 and research and development activities, including plant offices and

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

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

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

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

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

28 **Sec. 5.** RCW 82.62.010 and 1994 sp.s. c 7 s 705 are each amended to
29 read as follows:

30 Unless the context clearly requires otherwise, the definitions in
31 this section apply throughout this chapter.

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

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

35 (3) "Eligible area" means: (a) A county in which the average level
36 of unemployment for the three years before the year in which an
37 application is filed under this chapter exceeds the average state
38 unemployment for those years by twenty percent; (b) a county that has

1 a median household income that is less than seventy-five percent of the
2 state median household income for the previous three years; (c) a
3 metropolitan statistical area, as defined by the office of federal
4 statistical policy and standards, United States department of commerce,
5 in which the average level of unemployment for the calendar year
6 immediately preceding the year in which an application is filed under
7 this chapter exceeds the average state unemployment for such calendar
8 year by twenty percent; (~~(e)~~) (d) a designated community empowerment
9 zone approved under RCW 43.63A.700; or (~~(d)~~) (e) subcounty areas in
10 those counties that are not covered under (a) of this subsection that
11 are timber impact areas as defined in RCW 43.31.601.

12 (4)(a) "Eligible business project" means manufacturing or research
13 and development activities which are conducted by an applicant in an
14 eligible area at a specific facility, provided the applicant's average
15 full-time qualified employment positions at the specific facility will
16 be at least fifteen percent greater in the year for which the credit is
17 being sought than the applicant's average full-time qualified
18 employment positions at the same facility in the immediately preceding
19 year.

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

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

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

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

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

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

3 (10) "Research and development" means the development, refinement,
4 testing, marketing, and commercialization of a product, service, or
5 process before commercial sales have begun. As used in this
6 subsection, "commercial sales" excludes sales of prototypes or sales
7 for market testing if the total gross receipts from such sales of the
8 product, service, or process do not exceed one million dollars.

9 **Sec. 6.** RCW 82.08.02565 and 1995 1st sp.s. c 3 s 2 are each
10 amended to read as follows:

11 (1) The tax levied by RCW 82.08.020 shall not apply to sales to a
12 manufacturer or processor for hire of machinery and equipment used
13 directly in a manufacturing operation, or to sales of or charges made
14 for labor and services rendered in respect to installing the machinery
15 and equipment, but only when the purchaser provides the seller with an
16 exemption certificate in a form and manner prescribed by the department
17 by rule, and the purchaser provides the department with a duplicate of
18 the certificate or a summary of exempt sales as the department may
19 require. The seller shall retain a copy of the certificate for the
20 seller's files.

21 (2) For purposes of this section and RCW 82.12.02565:

22 (a) "Machinery and equipment" means industrial fixtures, devices,
23 and support facilities. "Machinery and equipment" includes pollution
24 control equipment installed and used in a manufacturing operation to
25 prevent air pollution, water pollution, or contamination that might
26 otherwise result from the manufacturing operation.

27 (b) "Machinery and equipment" does not include:

28 (i) Hand tools;

29 (ii) Property with a useful life of less than one year;

30 (iii) Repair parts required to restore machinery and equipment to
31 normal working order;

32 (iv) Replacement parts that do not increase productivity, improve
33 efficiency, or extend the useful life of the machinery and equipment;
34 or

35 (v) Building fixtures that are not integral to the manufacturing
36 operation that are permanently affixed to and become a physical part of
37 a building, such as utility systems for heating, ventilation, air
38 conditioning, communications, plumbing, or electrical.

1 (c) Machinery and equipment is "used directly" in a manufacturing
2 operation if the machinery and equipment:

3 (i) Acts upon or interacts with an item of tangible personal
4 property;

5 (ii) Conveys, transports, handles, or temporarily stores an item of
6 tangible personal property at the manufacturing site;

7 (iii) Controls, guides, measures, verifies, aligns, regulates, or
8 tests tangible personal property;

9 (iv) Provides physical support for or access to tangible personal
10 property;

11 (v) Produces power for, or lubricates machinery and equipment;

12 (vi) Produces another item of tangible personal property for use in
13 the manufacturing operation; or

14 (vii) Places tangible personal property in the container, package,
15 or wrapping in which the tangible personal property is normally sold or
16 transported.

17 (d) "Manufacturing operation" means the manufacturing of articles,
18 substances, or commodities for sale as tangible personal property. The
19 manufacturing operation begins at the point where the raw materials
20 enter the manufacturing site and ends at the point where the finished
21 product leaves the manufacturing site. In the case of the
22 manufacturing of building trusses in eligible areas, as defined in RCW
23 82.60.020(3)(e), the manufacturing operation ends at the point where
24 the finished product is delivered to the building site. The term also
25 includes that portion of a cogeneration project that is used to
26 generate power for consumption within the manufacturing site of which
27 the cogeneration project is an integral part. The term does not
28 include research and development, the production of electricity by a
29 light and power business as defined in RCW 82.16.010, or the
30 preparation of food products on the premises of a person selling food
31 products at retail.

32 (e) "Cogeneration" means the simultaneous generation of electrical
33 energy and low-grade heat from the same fuel.

34 NEW SECTION. **Sec. 7.** Section 6 of this act applies to
35 manufacturing machinery and equipment acquired after June 30, 1995.

36 NEW SECTION. **Sec. 8.** (1) Section 6 of this act is necessary for
37 the immediate preservation of the public peace, health, or safety, or

1 support of the state government and its existing public institutions,
2 and shall take effect immediately.

3 (2) Section 1 of this act shall take effect June 30, 1997."

4 **HB 2337** - S COMM AMD

5 By Committee on Ways & Means

6 ADOPTED 3/7/96

7 On page 1, line 1 of the title, after "designation;" strike the
8 remainder of the title and insert "amending RCW 43.160.210, 43.165.010,
9 43.168.020, 82.60.020, 82.62.010, and 82.08.02565; creating a new
10 section; providing an effective date; and declaring an emergency."

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