

CERTIFICATION OF ENROLLMENT  
**SECOND SUBSTITUTE SENATE BILL 5740**

Chapter 366, Laws of 1997  
(partial veto)

55th Legislature  
1997 Regular Session

ASSISTANCE FOR RURAL DISTRESSED AREAS

EFFECTIVE DATE: 7/27/97

Passed by the Senate April 27, 1997  
YEAS 48 NAYS 0

BRAD OWEN

\_\_\_\_\_  
**President of the Senate**

Passed by the House April 26, 1997  
YEAS 98 NAYS 0

CLYDE BALLARD

\_\_\_\_\_  
**Speaker of the  
House of Representatives**

Approved May 15, 1997, with the  
exception of sections 4, 7, and 8,  
which are vetoed.

GARY LOCKE

\_\_\_\_\_  
**Governor of the State of Washington**

CERTIFICATE

I, Mike O Connell, Secretary of the  
Senate of the State of Washington, do  
hereby certify that the attached is  
**SECOND SUBSTITUTE SENATE BILL 5740** as  
passed by the Senate and the House of  
Representatives on the dates hereon  
set forth.

MIKE O'CONNELL

\_\_\_\_\_  
**Secretary**

FILED

May 15, 1997 - 9:30 a.m.

**Secretary of State  
State of Washington**



1 problems including: Above-average unemployment rates from job losses  
2 and below-average employment growth; low rate of business start-ups;  
3 and persistent erosion of vitally important resource-driven industries.

4 The legislature also recognizes that rural distressed areas in  
5 Washington have an abiding ability and consistent will to overcome  
6 these economic obstacles by building upon their historic foundations of  
7 business enterprise, local leadership, and outstanding work ethic.

8 The legislature intends to assist rural distressed areas in their  
9 ongoing efforts to address these difficult economic problems by  
10 providing a comprehensive and significant array of economic tools,  
11 necessary to harness the persistent and undaunted spirit of enterprise  
12 that resides in the citizens of rural distressed areas throughout the  
13 state.

14 The further intent of this act is to provide:

15 (1) A strategically designed plan of assistance, emphasizing state,  
16 local, and private sector leadership and partnership;

17 (2) A comprehensive and significant array of business assistance,  
18 services, and tax incentives that are accountable and performance  
19 driven;

20 (3) An array of community assistance including infrastructure  
21 development and business retention, attraction, and expansion programs  
22 that will provide a competitive advantage to rural distressed areas  
23 throughout Washington; and

24 (4) Regulatory relief to reduce and streamline zoning, permitting,  
25 and regulatory requirements in order to enhance the capability of  
26 businesses to grow and prosper in rural distressed areas.

27 NEW SECTION. **Sec. 2.** GOALS. The primary goals of chapter . . . ,  
28 Laws of 1997 (this act) are to:

29 (1) Promote the ongoing operation of business in rural distressed  
30 areas;

31 (2) Promote the expansion of existing businesses in rural  
32 distressed areas;

33 (3) Attract new businesses to rural distressed areas;

34 (4) Assist in the development of new businesses from within rural  
35 distressed areas;

36 (5) Provide family wage jobs to the citizens of rural distressed  
37 areas; and

1 (6) Promote the development of communities of excellence in rural  
2 distressed areas.

3 **PART II**  
4 **TAX INCENTIVES**

5 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.14 RCW  
6 to read as follows:

7 (1) The legislative authority of a distressed county may impose a  
8 sales and use tax in accordance with the terms of this chapter. The  
9 tax is in addition to other taxes authorized by law and shall be  
10 collected from those persons who are taxable by the state under  
11 chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event  
12 within the county. The rate of tax shall not exceed 0.04 percent of  
13 the selling price in the case of a sales tax or value of the article  
14 used in the case of a use tax.

15 (2) The tax imposed under subsection (1) of this section shall be  
16 deducted from the amount of tax otherwise required to be collected or  
17 paid over to the department of revenue under chapter 82.08 or 82.12  
18 RCW. The department of revenue shall perform the collection of such  
19 taxes on behalf of the county at no cost to the county.

20 (3) Moneys collected under this section shall only be used for the  
21 purpose of financing public facilities in rural counties.

22 (4) No tax may be collected under this section before July 1, 1998.  
23 No tax may be collected under this section by a county more than  
24 twenty-five years after the date that a tax is first imposed under this  
25 section.

26 (5) For purposes of this section, "distressed county" means a  
27 county in which the average level of unemployment for the three years  
28 before the year in which a tax is first imposed under this section  
29 exceeds the average state employment for those years by twenty percent.

30 *\*Sec. 4. RCW 82.62.010 and 1996 c 290 s 5 are each amended to read*  
31 *as follows:*

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

34 *(1) "Applicant" means a person applying for a tax credit under this*  
35 *chapter.*

36 *(2) "Department" means the department of revenue.*

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

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

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

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

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

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

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

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

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

13 \*Sec. 4 was vetoed. See message at end of chapter.

14 **Sec. 5.** RCW 82.62.030 and 1996 c 1 s 3 are each amended to read as  
15 follows:

16 (1) A person shall be allowed a credit against the tax due under  
17 chapter 82.04 RCW as provided in this section. For an application  
18 approved before January 1, 1996, the credit shall equal one thousand  
19 dollars for each qualified employment position directly created in an  
20 eligible business project. For an application approved on or after  
21 January 1, 1996, the credit shall equal two thousand dollars for each  
22 qualified employment position directly created in an eligible business  
23 project. For an application approved on or after July 1, 1997, the  
24 credit shall equal four thousand dollars for each qualified employment  
25 position with wages and benefits greater than forty thousand dollars  
26 annually that is directly created in an eligible business. For an  
27 application approved on or after July 1, 1997, the credit shall equal  
28 two thousand dollars for each qualified employment position with wages  
29 and benefits less than or equal to forty thousand dollars annually that  
30 is directly created in an eligible business.

31 (2) The department shall keep a running total of all credits  
32 granted under this chapter during each fiscal ((biennium)) year. The  
33 department shall not allow any credits which would cause the tabulation  
34 ((for a biennium)) to exceed ((fifteen)) five million five hundred  
35 thousand dollars in fiscal year 1998 or 1999 or seven million five  
36 hundred thousand dollars in any fiscal year thereafter. If all or part  
37 of an application for credit is disallowed under this subsection, the  
38 disallowed portion shall be carried over for approval the next

1 ((biennium)) fiscal year. However, the applicant's carryover into the  
2 next ((biennium)) fiscal year is only permitted if the tabulation for  
3 the next ((biennium)) fiscal year does not exceed ((fifteen million  
4 dollars)) the cap for that fiscal year as of the date on which the  
5 department has disallowed the application.

6 (3) ~~((No recipient is eligible for tax credits in excess of three  
7 hundred thousand dollars.~~

8 (4)) No recipient may use the tax credits to decertify a union or  
9 to displace existing jobs in any community in the state.

10 ((+5)) (4) No recipient may receive a tax credit on taxes which  
11 have not been paid during the taxable year.

12 NEW SECTION. Sec. 6. RCW 82.62.040 and 1993 sp.s. c 25 s 411,  
13 1988 c 41 s 4, & 1986 c 116 s 22 are each repealed.

### 14 PART III

### 15 BUSINESS ASSISTANCE

16 \*NEW SECTION. Sec. 7. BUSINESS ASSISTANCE AND RECRUITMENT FOR  
17 RURAL DISTRESSED AREAS. *The department of community, trade, and*  
18 *economic development is directed to emphasize business assistance and*  
19 *recruitment for rural distressed areas within its trade and economic*  
20 *sectors, and local development assistance. The primary goal of the*  
21 *rural initiative is to coordinate and administer a comprehensive and*  
22 *effective set of business assistance programs and services including:*

23 (1) *Business recruitment. The department of community, trade, and*  
24 *economic development shall: Provide a comprehensive and aggressive*  
25 *program to attract viable businesses to rural distressed areas; work*  
26 *with local communities to identify select industry sectors that have a*  
27 *competitive advantage in specific rural distressed areas; collaborate*  
28 *with state and local officials to modify their infrastructure plans and*  
29 *priorities to facilitate business growth; and assist rural distressed*  
30 *areas in developing strategic business recruitment plans.*

31 (2) *Business permitting and zoning one-stop shop. The department*  
32 *of community, trade, and economic development shall: Provide a*  
33 *streamlined and customer driven siting service to businesses in order*  
34 *to promote their attraction and expansion in rural distressed areas;*  
35 *provide preliminary permit application and zoning information and*

1 services for businesses in order to attract firms and facilitate  
2 business growth in rural distressed areas.

3 (3) Business regulatory assistance and ombudsman services. The  
4 department of community, trade, and economic development shall:  
5 Provide comprehensive business regulatory services to assist businesses  
6 in addressing and responding to local, state, and federal regulations;  
7 and provide recommendations on streamlining and modifying government  
8 regulations.

9 (a) The department of community, trade, and economic development is  
10 authorized to review state zoning, permitting, or regulatory  
11 requirements that pose difficulty for businesses wishing or likely to  
12 site in a rural enterprise area. In situations where the department of  
13 community, trade, and economic development considers the zoning,  
14 permitting, or regulatory requirements placed on a business in a rural  
15 enterprise area unfairly burdensome the director may petition the  
16 regulatory agency or agencies for regulatory relief. In addition the  
17 director may petition the agency or agencies for relief under the  
18 regulatory fairness act, chapter 19.85 RCW.

19 (b) In situations where a business or entity in a rural enterprise  
20 area is encountering regulatory oversight from more than one state  
21 agency and is experiencing conflicting direction or confusing process,  
22 the business or entity may petition the director to intercede. The  
23 director upon review of the circumstances involved is authorized to  
24 designate a lead agency to collaborate with other state agencies in  
25 order to streamline and reduce the regulatory difficulties.

26 (c) Businesses or entities in a rural enterprise zone may petition  
27 the director for an accelerated zoning, permitting, or regulatory  
28 process. The director upon reviewing the petition and the  
29 circumstances involved may make a finding of regulatory unfairness and  
30 may direct the state agency or agencies to process the business or  
31 entities application in an expeditious manner with a maximum timeline  
32 of six months from the director's receipt of the petition.

33 The director shall establish a pilot process in cooperation with  
34 other state agencies to implement this subsection (3) during 1997 and  
35 1998 and report annually to the legislature on the impact of the  
36 program.

37 (4) "Brown Fields" Program. The department of community, trade,  
38 and economic development shall develop with the department of ecology  
39 and recommend to the legislature a streamlined and cost-effective



1 process to redevelop hazardous industrial sites in order to promote  
2 business growth in rural distressed areas.

3 (5) Rural enterprise zone development and foreign trade zone. The  
4 department of community, trade, and economic development is authorized  
5 to provide technical assistance to local governments in rural  
6 distressed areas to establish rural enterprise zones and foreign trade  
7 zones. The department of community, trade, and economic development  
8 shall target rural enterprise zones and foreign trade zones in the  
9 delivery of its services in order to maximize the impact of its  
10 economic development assistance to businesses and rural distressed  
11 areas.

12 \*Sec. 7 was vetoed. See message at end of chapter.

13 \*NEW SECTION. Sec. 8. RURAL INITIATIVE ADMINISTRATION. The rural  
14 initiative shall be administered by a director appointed by the  
15 director of community, trade, and economic development, in consultation  
16 with the rural distressed areas economic recovery coordination board.  
17 The rural initiative director shall coordinate activities with the  
18 rural community assistance team and report on the activities and  
19 performance of the rural initiative to the legislature on a quarterly  
20 basis.

21 \*Sec. 8 was vetoed. See message at end of chapter.

## 22 PART IV

### 23 RURAL ENTERPRISE ZONES

24 NEW SECTION. Sec. 9. A new section is added to chapter 43.63A RCW  
25 to read as follows:

26 RURAL ENTERPRISE ZONES. The legislature recognizes the unique  
27 difficulties encountered by communities in rural distressed areas  
28 wishing to promote business development, increase employment  
29 opportunities, and provide a high quality of life for its citizens. In  
30 response the legislature authorizes the establishment of rural  
31 enterprise zones that will allow the targeting of state services and  
32 resources in the form of business, industry recruitment, regulatory  
33 relief, and infrastructure development. It is the intent of the  
34 legislature to provide the critical level of resources and services to  
35 businesses and entities located in these rural enterprise zones that  
36 they will be the catalyst for economic prosperity and diversity  
37 throughout rural distressed areas in Washington.

1 (1) The department in cooperation with the department of revenue  
2 and other state agencies shall approve applications submitted by local  
3 governments in rural distressed areas. The application shall be in the  
4 form and manner and contain the necessary information designated by the  
5 department. The application shall:

6 (a) Be submitted on behalf of the local government by the chief  
7 elected official or, if none, by the governing body of the local  
8 government;

9 (b) Outline the purpose for the economic development enterprise  
10 zone and the process in which the application was developed;

11 (c) Demonstrate the level of government and community support for  
12 the enterprise zone;

13 (d) Outline the manner in which the enterprise zone will be  
14 governed and report its activities to the local government and the  
15 department; and

16 (e) Designate the geographic area in which the rural enterprise  
17 zone will exist.

18 (2) Rural enterprise zones are authorized to:

19 (a) Hire a director or designate an individual to oversee  
20 operations;

21 (b) Seek federal, state, and local government support in its  
22 efforts to target, develop, and attract viable businesses;

23 (c) Work with the office of business assistance and recruitment for  
24 rural distressed areas in the pursuit of its economic development  
25 activities;

26 (d) Provide a local one-stop shop for businesses intending to  
27 locate, retain, expand, or start their businesses within its zone; and

28 (e) Provide comprehensive permitting, zoning, and regulatory  
29 assistance to businesses or entities within the zone.

30 (3) Rural enterprise zones are authorized to receive the services  
31 and funding resources as provided under the rural area marketing plan  
32 and other resources assisting rural distressed areas.

33 (4) Rural enterprise zones may be established in conjunction with  
34 a foreign trade zone.

35

**PART V**

36

**EVALUATION**



1 the state will require a more thoughtful and coordinated approach. My  
2 administration is committed to this type of reform and will work with  
3 the businesses of our state to improve this process.

4 Section 8 of the bill would require the creation of another state  
5 management position to oversee the implementation of this act. I have  
6 vetoed this section because I believe the Coordinator of the Governor's  
7 Rural Community Assistance Team should be the focal point for economic  
8 development initiatives in rural areas of the state. Section 8 would  
9 only serve to increase bureaucracy and reduce accountability.

10 For these reasons, I have vetoed sections 4, 7 and 8 of Second  
11 Substitute Senate Bill No. 5740.

12 With the exception of sections 4, 7 and 8, Second Substitute Senate  
13 Bill No. 5740 is approved."