
SECOND SUBSTITUTE SENATE BILL 5594

State of Washington**56th Legislature****1999 Regular Session**

By Senate Committee on Ways & Means (originally sponsored by Senators Rasmussen, T. Sheldon, Prentice, Fairley and Winsley; by request of Governor Locke)

Read first time 03/05/99.

1 AN ACT Relating to enhancing economic vitality; amending RCW
2 43.160.010, 43.160.020, 43.160.060, 43.160.200, 43.180.160, 42.52.080,
3 82.14.370, 82.14.380, 82.60.020, 82.60.040, 82.60.070, 82.62.010,
4 82.62.030, and 43.131.386; reenacting and amending RCW 43.160.076;
5 adding a new section to chapter 43.63A RCW; adding new sections to
6 chapter 43.31 RCW; adding new sections to chapter 82.04 RCW; adding new
7 sections to chapter 82.62 RCW; adding a new section to chapter 82.16
8 RCW; adding a new section to chapter 82.60 RCW; creating new sections;
9 repealing RCW 43.31.855, 43.31.857, 82.60.045, 82.60.047, and
10 43.160.212; repealing 1997 c 377 s 3 (uncodified); repealing 1997 c 367
11 s 11, 1995 c 226 s 8, 1993 c 316 s 7, and 1991 c 314 s 33 (uncodified);
12 providing effective dates; and providing expiration dates.

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

14 NEW SECTION. **Sec. 1.** The legislature finds that while
15 Washington's economy is currently prospering, economic growth continues
16 to be uneven, particularly as between metropolitan and rural areas.
17 This has created in effect two Washingtons. One afflicted by
18 inadequate infrastructure to support and attract investment, another
19 suffering from congestion and soaring housing prices. In order to

1 address these problems, the legislature intends to use resources
2 strategically to build on our state's strengths while addressing
3 threats to our prosperity.

4 **PART I**

5 **RURAL ECONOMIC DEVELOPMENT**

6 **Enhanced Flexibility for Use of Community Economic**
7 **Revitalization Board Funds**

8 **Sec. 101.** RCW 43.160.010 and 1996 c 51 s 1 are each amended to
9 read as follows:

10 (1) The legislature finds that it is the public policy of the state
11 of Washington to direct financial resources toward the fostering of
12 economic development through the stimulation of investment and job
13 opportunities and the retention of sustainable existing employment for
14 the general welfare of the inhabitants of the state. Reducing
15 unemployment and reducing the time citizens remain jobless is important
16 for the economic welfare of the state. A valuable means of fostering
17 economic development is the construction of public facilities which
18 contribute to the stability and growth of the state's economic base.
19 Strengthening the economic base through issuance of industrial
20 development bonds, whether single or umbrella, further serves to reduce
21 unemployment. Consolidating issues of industrial development bonds
22 when feasible to reduce costs additionally advances the state's purpose
23 to improve economic vitality. Expenditures made for these purposes as
24 authorized in this chapter are declared to be in the public interest,
25 and constitute a proper use of public funds. A community economic
26 revitalization board is needed which shall aid the development of
27 economic opportunities. The general objectives of the board should
28 include:

29 (a) Strengthening the economies of areas of the state which have
30 experienced or are expected to experience chronically high unemployment
31 rates or below average growth in their economies;

32 (b) Encouraging the diversification of the economies of the state
33 and regions within the state in order to provide greater seasonal and
34 cyclical stability of income and employment;

35 (c) Encouraging wider access to financial resources for both large
36 and small industrial development projects;

1 (d) Encouraging new economic development or expansions to maximize
2 employment;

3 (e) Encouraging the retention of viable existing firms and
4 employment; and

5 (f) Providing incentives for expansion of employment opportunities
6 for groups of state residents that have been less successful relative
7 to other groups in efforts to gain permanent employment.

8 (2) The legislature also finds that the state's economic
9 development efforts can be enhanced by, in certain instances, providing
10 funds to improve state highways (~~(in the vicinity of new)~~), county
11 roads, or city streets for industries considering locating or expanding
12 in this state ((or existing industries that are considering significant
13 expansion)).

14 (a) The legislature finds it desirable to provide a process whereby
15 the need for diverse public works improvements necessitated by planned
16 economic development can be addressed in a timely fashion and with
17 coordination among all responsible governmental entities.

18 (~~(It is the intent of the legislature to create an economic~~
19 ~~development account within the motor vehicle fund from which~~
20 ~~expenditures can be made by the department of transportation for state~~
21 ~~highway improvements necessitated by planned economic development.))~~
22 All (~~(such)~~) transportation improvements on state highways must first
23 be approved by the state transportation commission and the community
24 economic revitalization board in accordance with the procedures
25 established by RCW 43.160.074 and 47.01.280. (~~(It is further the~~
26 ~~intent of the legislature that such improvements not jeopardize any~~
27 ~~other planned highway construction projects. The improvements are~~
28 ~~intended to be of limited size and cost, and to include such items as~~
29 ~~additional turn lanes, signalization, illumination, and safety~~
30 ~~improvements.))~~)

31 (3) The legislature also finds that the state's economic
32 development efforts can be enhanced by, in certain instances, providing
33 funds to assist development of telecommunications infrastructure that
34 supports business development, retention, and expansion in rural
35 natural resources impact areas and rural counties of the state.

36 (4) The legislature also finds that the state's economic
37 development efforts can be enhanced by providing funds to improve
38 markets for those recyclable materials representing a large fraction of
39 the waste stream. The legislature finds that public facilities which

1 result in private construction of processing or remanufacturing
2 facilities for recyclable materials are eligible for consideration from
3 the board.

4 ~~((4))~~ (5) The legislature finds that sharing economic growth
5 state-wide is important to the welfare of the state. Rural counties
6 and rural natural resources impact areas do not share in the economic
7 vitality of the Puget Sound region. The ability of these communities
8 to pursue business and job retention, expansion, and development
9 opportunities depends on their capacity to ready necessary economic
10 development project plans, sites, permits, and infrastructure for
11 private investments. Project-specific planning, predevelopment, and
12 infrastructure ~~((is one of several))~~ are critical ingredients ~~((that~~
13 ~~are critical))~~ for economic development. Rural counties and rural
14 natural resources impact areas generally lack ~~((the infrastructure))~~
15 these necessary tools and resources to diversify and revitalize their
16 economies. It is, therefore, the intent of the legislature to increase
17 the ~~((availability of funds to help provide infrastructure to rural~~
18 ~~natural resource impact areas))~~ amount of funding available through the
19 community economic revitalization board for rural counties and rural
20 natural resources impact areas, and to authorize flexibility for
21 available resources in these areas to help fund planning,
22 predevelopment, and construction costs of infrastructure and facilities
23 and sites that foster economic vitality and diversification.

24 **Sec. 102.** RCW 43.160.020 and 1997 c 367 s 8 are each amended to
25 read as follows:

26 Unless the context clearly requires otherwise, the definitions in
27 this section apply throughout this chapter.

28 (1) "Board" means the community economic revitalization board.

29 (2) "Bond" means any bond, note, debenture, interim certificate, or
30 other evidence of financial indebtedness issued by the board pursuant
31 to this chapter.

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

34 (4) "Financial institution" means any bank, savings and loan
35 association, credit union, development credit corporation, insurance
36 company, investment company, trust company, savings institution, or
37 other financial institution approved by the board and maintaining an
38 office in the state.

1 (5) "Industrial development facilities" means "industrial
2 development facilities" as defined in RCW 39.84.020.

3 (6) "Industrial development revenue bonds" means tax-exempt revenue
4 bonds used to fund industrial development facilities.

5 (7) "Local government" or "political subdivision" means any port
6 district, county, city, town, special purpose district, and any other
7 municipal corporations or quasi-municipal corporations in the state
8 providing for public facilities under this chapter.

9 (8) "Sponsor" means any of the following entities which customarily
10 provide service or otherwise aid in industrial or other financing and
11 are approved as a sponsor by the board: A bank, trust company, savings
12 bank, investment bank, national banking association, savings and loan
13 association, building and loan association, credit union, insurance
14 company, or any other financial institution, governmental agency, or
15 holding company of any entity specified in this subsection.

16 (9) "Umbrella bonds" means industrial development revenue bonds
17 from which the proceeds are loaned, transferred, or otherwise made
18 available to two or more users under this chapter.

19 (10) "User" means one or more persons acting as lessee, purchaser,
20 mortgagor, or borrower under a financing document and receiving or
21 applying to receive revenues from bonds issued under this chapter.

22 (11) "Public facilities" means bridges, roads, domestic and
23 industrial water, sanitary sewer, storm sewer, railroad, electricity,
24 telecommunications, natural gas, buildings or structures, and port
25 facilities.

26 (12) "Rural county" means a county with a population density of
27 less than one hundred persons per square mile.

28 (13) "Rural natural resources impact area" means:

29 (a) A nonmetropolitan county, as defined by the 1990 decennial
30 census, that meets three of the five criteria set forth in subsection
31 ~~((+13+))~~ (14) of this section;

32 (b) A nonmetropolitan county with a population of less than forty
33 thousand in the 1990 decennial census, that meets two of the five
34 criteria as set forth in subsection ~~((+13+))~~ (14) of this section; or

35 (c) A nonurbanized area, as defined by the 1990 decennial census,
36 that is located in a metropolitan county that meets three of the five
37 criteria set forth in subsection ~~((+13+))~~ (14) of this section.

38 ~~((+13+))~~ (14) For the purposes of designating rural natural
39 resources impact areas, the following criteria shall be considered:

1 (a) A lumber and wood products employment location quotient at or
2 above the state average;
3 (b) A commercial salmon fishing employment location quotient at or
4 above the state average;
5 (c) Projected or actual direct lumber and wood products job losses
6 of one hundred positions or more;
7 (d) Projected or actual direct commercial salmon fishing job losses
8 of one hundred positions or more; and
9 (e) An unemployment rate twenty percent or more above the state
10 average. The counties that meet these criteria shall be determined by
11 the employment security department for the most recent year for which
12 data is available. For the purposes of administration of programs
13 under this chapter, the United States post office five-digit zip code
14 delivery areas will be used to determine residence status for
15 eligibility purposes. For the purpose of this definition, a zip code
16 delivery area of which any part is ten miles or more from an urbanized
17 area is considered nonurbanized. A zip code totally surrounded by zip
18 codes qualifying as nonurbanized under this definition is also
19 considered nonurbanized. The office of financial management shall make
20 available a zip code listing of the areas to all agencies and
21 organizations providing services under this chapter.

22 **Sec. 103.** RCW 43.160.060 and 1996 c 51 s 5 are each amended to
23 read as follows:

24 The board is authorized to make direct loans to political
25 subdivisions of the state for the purposes of assisting the political
26 subdivisions in financing the cost of public facilities, including
27 development of land and improvements for public facilities, project-
28 specific environmental, capital facilities, land use, permitting,
29 feasibility and marketing studies and plans; project design, site
30 planning, and analysis; project debt and revenue impact analysis; as
31 well as the construction, rehabilitation, alteration, expansion, or
32 improvement of the facilities. A grant may also be authorized for
33 purposes designated in this chapter, but only when, and to the extent
34 that, a loan is not reasonably possible, given the limited resources of
35 the political subdivision and the finding by the board that ((~~unique~~))
36 financial circumstances ((~~exist. The board shall not obligate more~~
37 ~~than twenty percent of its biennial appropriation as grants~~)) require
38 grant assistance to enable the project to move forward.

1 Application for funds shall be made in the form and manner as the
2 board may prescribe. In making grants or loans the board shall conform
3 to the following requirements:

4 (1) The board shall not provide financial assistance:

5 (a) For a project the primary purpose of which is to facilitate or
6 promote a retail shopping development or expansion.

7 (b) For any project that evidence exists would result in a
8 development or expansion that would displace existing jobs in any other
9 community in the state, except a project that would relocate a business
10 from a nondistressed urban area to a rural county or rural natural
11 resources impact area.

12 (c) For the acquisition of real property, including buildings and
13 other fixtures which are a part of real property.

14 (d) For a construction project to any local government applicant
15 that is not, at the time of application for financial assistance, in
16 compliance with the provisions of chapter 36.70A RCW.

17 (2) The board shall only provide financial assistance:

18 (a) For those projects which would result in specific private
19 developments or expansions (i) in manufacturing, production, food
20 processing, assembly, warehousing, advanced technology, research and
21 development, and industrial distribution; (ii) for processing
22 recyclable materials or for facilities that support recycling,
23 including processes not currently provided in the state, including but
24 not limited to, de-inking facilities, mixed waste paper, plastics, yard
25 waste, and problem-waste processing; (iii) for manufacturing facilities
26 that rely significantly on recyclable materials, including but not
27 limited to waste tires and mixed waste paper; (iv) which support the
28 relocation of businesses from nondistressed urban areas to
29 ((distressed)) rural counties or rural natural resources impact areas;
30 or (v) which substantially support the trading of goods or services
31 outside of the state's borders.

32 (b) For projects which it finds will improve the opportunities for
33 the successful maintenance, establishment, or expansion of industrial
34 or commercial plants or will otherwise assist in the creation or
35 retention of long-term economic opportunities.

36 (c) When the application includes convincing evidence that a
37 specific private development or expansion is ready to occur and will
38 occur only if the public facility improvement is made.

1 (3) The board shall prioritize each proposed project according to
2 the relative benefits provided to the community by the jobs the project
3 would create, not just the total number of jobs it would create after
4 the project is completed and according to the unemployment rate in the
5 area in which the jobs would be located. As long as there is more
6 demand for financial assistance than there are funds available, the
7 board is instructed to fund projects in order of their priority.

8 (4) A responsible official of the political subdivision shall be
9 present during board deliberations and provide information that the
10 board requests.

11 Before any financial assistance application is approved, the
12 political subdivision seeking the assistance must demonstrate to the
13 community economic revitalization board that no other timely source of
14 funding is available to it at costs reasonably similar to financing
15 available from the community economic revitalization board.

16 **Sec. 104.** RCW 43.160.076 and 1998 c 321 s 28 (Referendum Bill No.
17 49) and 1998 c 55 s 4 are each reenacted and amended to read as
18 follows:

19 (1) Except as authorized to the contrary under subsection (2) of
20 this section, from all funds available to the board for financial
21 assistance in a biennium under this chapter without reference to
22 financial assistance provided under RCW 43.160.220, the board shall
23 spend at least seventy-five percent for financial assistance for
24 projects in (~~distressed~~) rural counties or rural natural resources
25 impact areas. For purposes of this section, the term "~~distressed~~)
26 rural counties" includes any county, in which the average level of
27 unemployment for the three years before the year in which an
28 application for financial assistance is filed, exceeds the average
29 state unemployment for those years by twenty percent.

30 (2) If at any time during the last six months of a biennium the
31 board finds that the actual and anticipated applications for qualified
32 projects in (~~distressed~~) rural counties or rural natural resources
33 impact areas are clearly insufficient to use up the seventy-five
34 percent allocation under subsection (1) of this section, then the board
35 shall estimate the amount of the insufficiency and during the remainder
36 of the biennium may use that amount of the allocation for financial
37 assistance to projects not located in (~~distressed~~) rural counties or
38 rural natural resources impact areas.

1 (~~(3) This section expires June 30, 2000.~~)

2 **Sec. 105.** RCW 43.160.200 and 1996 c 51 s 9 are each amended to
3 read as follows:

4 (1) The economic development account is created within the public
5 facilities construction loan revolving fund under RCW 43.160.080.
6 Moneys in the account may be spent only after appropriation.
7 Expenditures from the account may be used only for the purposes of RCW
8 43.160.010(~~(+3)~~) (5) and this section. The account is subject to
9 allotment procedures under chapter 43.88 RCW.

10 (2) Applications under this section for assistance from the
11 economic development account are subject to all of the applicable
12 criteria set forth under this chapter, as well as procedures and
13 criteria established by the board, except as otherwise provided.

14 (3) Eligible applicants under this section are limited to political
15 subdivisions of the state in rural natural resources impact areas
16 (~~(that demonstrate, to the satisfaction of the board, the local~~
17 ~~economy's dependence on the forest products and salmon fishing~~
18 ~~industries))~~ and rural counties.

19 (4) Applicants must demonstrate that their request is part of an
20 economic development plan consistent with applicable state planning
21 requirements. Applicants must demonstrate that tourism projects have
22 been approved by the local government. Industrial projects must be
23 approved by the local government and the associate development
24 organization.

25 (5) Publicly owned projects may be financed under this section upon
26 proof by the applicant that the public project is a necessary component
27 of, or constitutes in whole, a tourism project.

28 (6) Applications must demonstrate local match and participation.
29 Such match may include: Land donation, other public or private funds
30 or both, or other means of local commitment to the project.

31 (7) Board financing for project-specific environmental, capital
32 facilities, land use, permitting, feasibility and marketing studies and
33 plans; project engineering, design, and site planning and analysis; and
34 project debt and revenue impact analysis shall not exceed (~~(twenty-~~
35 ~~five))~~ fifty thousand dollars per study. Board funds for (~~(feasibility~~
36 ~~studies))~~ these purposes may be provided as a grant and require a
37 (~~(dollar for dollar))~~ match (~~(with up to one half in-kind match~~
38 ~~allowed))~~).

1 (8) Board financing for tourism projects shall not exceed two
2 hundred fifty thousand dollars. Other public facility construction
3 projects under this section shall not exceed (~~five hundred thousand~~)
4 one million dollars. Loans with flexible terms and conditions to meet
5 the needs of the applicants shall be provided. Grants may also be
6 authorized, but only when, and to the extent that, a loan is not
7 reasonably possible, given the limited resources of the political
8 subdivision.

9 (9) The board shall develop guidelines for allowable local match
10 and (~~feasibility studies~~) planning and predevelopment activities.

11 (10) The board may allow de minimis general system improvements to
12 be funded if they are critically linked to the viability of the
13 economic development project assisted under this section.

14 (11) Applications under this section need not demonstrate evidence
15 that specific private development or expansion is ready to occur or
16 will occur if funds are provided.

17 (~~(11)~~) (12) The board shall establish guidelines for providing
18 financial assistance under this section to ensure that the requirements
19 of this chapter are complied with. The guidelines shall include:

20 (a) A process to equitably compare and evaluate applications from
21 competing communities.

22 (b) Criteria to ensure that approved projects will have a high
23 probability of success and are likely to provide long-term economic
24 benefits to the community. The criteria shall include: (i) A minimum
25 amount of local participation, determined by the board per application,
26 to verify community support for the project; (ii) an analysis that
27 establishes the project is feasible using standard economic principles;
28 and (iii) an explanation from the applicant regarding how the project
29 is consistent with the communities' economic strategy and goals.

30 (c) A method of evaluating the impact of the financial assistance
31 on the economy of the community and whether the financial assistance
32 achieved its purpose.

33 **PART II**
34 **HOUSING**

35 **Increasing the Housing Finance Commission's Debt Limit**

1 responsibility for administering funds provided by the federal
2 government and other sources to carry out the purpose state in
3 subsection (1) of this section. A successor organization must qualify
4 as a tax-exempt nonprofit corporation under section 501(c) of the
5 federal internal revenue code.

6 (3) This section expires June 30, 2002.

7 NEW SECTION. **Sec. 302.** A new section is added to chapter 43.31
8 RCW to read as follows:

9 (1) The executive committee and the department are authorized to
10 take all steps reasonably necessary and proper to effect the orderly
11 transition of the rural development council executive committee to the
12 successor organization. This authorization includes, but is not
13 necessarily limited to, the authority to:

14 (a) Transfer any equipment, records, other assets, or contracts for
15 services to the successor organization under appropriate terms and
16 conditions, including reasonable compensation for assets acquired with
17 state funds;

18 (b) Assist in the establishment of a successor organization,
19 including entering into contracts preparatory to the establishment of
20 the organization; and

21 (c) Unless otherwise provided by agreement, assign to the successor
22 organization any membership agreements, contracts, license, and other
23 duties and obligations related to the rural development council.

24 (2) This section expires June 30, 2002.

25 **Sec. 303.** RCW 42.52.080 and 1994 c 154 s 108 are each amended to
26 read as follows:

27 (1) No former state officer or state employee may, within a period
28 of one year from the date of termination of state employment, accept
29 employment or receive compensation from an employer if:

30 (a) The officer or employee, during the two years immediately
31 preceding termination of state employment, was engaged in the
32 negotiation or administration on behalf of the state or agency of one
33 or more contracts with that employer and was in a position to make
34 discretionary decisions affecting the outcome of such negotiation or
35 the nature of such administration;

36 (b) Such a contract or contracts have a total value of more than
37 ten thousand dollars; and

1 (c) The duties of the employment with the employer or the
2 activities for which the compensation would be received include
3 fulfilling or implementing, in whole or in part, the provisions of such
4 a contract or contracts or include the supervision or control of
5 actions taken to fulfill or implement, in whole or in part, the
6 provisions of such a contract or contracts. This subsection shall not
7 be construed to prohibit a state officer or state employee from
8 accepting employment with a state employee organization.

9 (2) No person who has served as a state officer or state employee
10 may, within a period of two years following the termination of state
11 employment, have a direct or indirect beneficial interest in a contract
12 or grant that was expressly authorized or funded by specific
13 legislative or executive action in which the former state officer or
14 state employee participated.

15 (3) No former state officer or state employee may accept an offer
16 of employment or receive compensation from an employer if the officer
17 or employee knows or has reason to believe that the offer of employment
18 or compensation was intended, in whole or in part, directly or
19 indirectly, to influence the officer or employee or as compensation or
20 reward for the performance or nonperformance of a duty by the officer
21 or employee during the course of state employment.

22 (4) No former state officer or state employee may accept an offer
23 of employment or receive compensation from an employer if the
24 circumstances would lead a reasonable person to believe the offer has
25 been made, or compensation given, for the purpose of influencing the
26 performance or nonperformance of duties by the officer or employee
27 during the course of state employment.

28 (5) No former state officer or state employee may at any time
29 subsequent to his or her state employment assist another person,
30 whether or not for compensation, in any transaction involving the state
31 in which the former state officer or state employee at any time
32 participated during state employment. This subsection shall not be
33 construed to prohibit any employee or officer of a state employee
34 organization from rendering assistance to state officers or state
35 employees in the course of employee organization business.

36 (6) As used in this section, "employer" means a person as defined
37 in RCW 42.52.010 or any other entity or business that the person owns
38 or in which the person has a controlling interest. For purposes of
39 subsection (1) of this section, the term "employer" does not include a

1 successor organization to the rural development council under chapter
2 43.31 RCW.

3 NEW SECTION. **Sec. 304.** A new section is added to chapter 43.31
4 RCW to read as follows:

5 Notwithstanding anything to the contrary in chapter 41.06 RCW or
6 any other provision of law, the department may contract to provide
7 funding to a successor organization under section 301 of this act to
8 carry out activities of the organization that are consistent with the
9 department's powers and duties. All moneys for contracts entered into
10 under this section are subject to appropriation.

11 NEW SECTION. **Sec. 305.** The following acts or parts of acts, as
12 now existing or hereafter amended, are each repealed, effective June
13 30, 2000:

- 14 (1) RCW 43.31.855 (Rural development council) and 1997 c 377 s 1;
15 (2) RCW 43.31.857 (Rural development council--Financial
16 contributions encouraged) and 1997 c 377 s 2; and
17 (3) 1997 c 377 s 3 (uncodified).

18 **PART IV**

19 **ECONOMIC VITALITY COMMITTEE**

20 NEW SECTION. **Sec. 401.** (1) The legislature shall establish an ad
21 hoc economic development group to analyze potential economic
22 development projects of state-wide significance and recommend
23 appropriate administrative or legislative actions.

24 (2) The group shall include one representative each from the
25 department of community, trade, and economic development, the
26 department of agriculture, and the department of revenue as well as two
27 representatives from rural economic development councils appointed by
28 the legislature.

29 (3) The group shall promote economic development and business
30 diversification throughout the state with special attention given to
31 the economic difficulties of rural counties.

32 (4) In order to expedite coordinated responses, the governor may
33 direct the group to meet on an emergency basis when projects of state-
34 wide significance arise.

1 (5) The department of community, trade, and economic development
2 shall establish criteria to determine whether a project meets the
3 standards of a "project of state-wide significance." These criteria
4 may include such economic indicators as local unemployment and personal
5 income levels and project scope indicators such as the assessed value
6 of the project in relation to the assessed value of the county.

7 **PART V**

8 **LOCAL OPTION SALES AND USE TAX**

9 **Sec. 501.** RCW 82.14.370 and 1998 c 55 s 6 are each amended to read
10 as follows:

11 (1) The legislative authority of a distressed county may impose a
12 sales and use tax in accordance with the terms of this chapter. The
13 tax is in addition to other taxes authorized by law and shall be
14 collected from those persons who are taxable by the state under
15 chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event
16 within the county. The rate of tax shall not exceed (~~0.04~~) 0.06
17 percent of the selling price in the case of a sales tax or value of the
18 article used in the case of a use tax.

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

24 (3) Moneys collected under this section shall only be used for the
25 purpose of financing public facilities in rural counties. The public
26 facility must be listed as an item in the officially adopted county
27 overall economic development plan, or the economic development section
28 of the county's comprehensive plan, or the comprehensive plan of a city
29 or town located within the county for those counties planning under RCW
30 36.70A.040. For those counties that do not have an adopted overall
31 economic development plan and do not plan under the growth management
32 act, the public facility must be listed in the county's capital
33 facilities plan or the capital facilities plan of a city or town
34 located within the county. In implementing this section, the county
35 shall consult with cities, towns, and port districts located within the
36 county. For the purposes of this section, "public facilities" means
37 bridges, roads, and domestic and industrial water, sanitary sewer,

1 storm sewer, railroad, electricity, natural gas, buildings or
2 structures, telecommunications infrastructure, and port facilities in
3 the state of Washington.

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

8 (5) For purposes of this section, "distressed county" means ((a
9 ~~county in which the average level of unemployment for the three years~~
10 ~~before the year in which a tax is first imposed under this section~~
11 ~~exceeds the average state unemployment for those years by twenty~~
12 ~~percent)) an eligible area as defined in RCW 82.60.020.~~

13 **PART VI**

14 **DISTRESSED COUNTY ASSISTANCE ACCOUNT**

15 **Sec. 601.** RCW 82.14.380 and 1998 c 321 s 10 (Referendum Bill No.
16 49) are each amended to read as follows:

17 (1) The distressed county assistance account is created in the
18 state treasury. Into this account shall be placed a portion of all
19 motor vehicle excise tax receipts as provided in RCW 82.44.110. At
20 such times as distributions are made under RCW 82.44.150, the state
21 treasurer shall distribute the funds in the distressed county
22 assistance account to each county imposing the sales and use tax
23 authorized under RCW 82.14.370 as of January 1, 1999, in the same
24 proportions as distributions of the tax imposed under RCW 82.14.370 for
25 these counties for the previous quarter.

26 (2) Funds distributed from the distressed county assistance account
27 shall be expended by the counties for criminal justice and other
28 purposes.

29 **PART VII**

30 **DISTRESSED AREA SALES AND USE TAX DEFERRAL**

31 **Sec. 701.** RCW 82.60.020 and 1996 c 290 s 4 are each amended to
32 read as follows:

33 Unless the context clearly requires otherwise, the definitions in
34 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~~
5 ~~level 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; (d) a designated community empowerment zone~~
16 ~~approved under RCW 43.63A.700 or a county containing such a community~~
17 ~~empowerment zone; (e) a town with a population of less than twelve~~
18 ~~hundred persons in those counties that are not covered under (a) of~~
19 ~~this subsection that are timber impact areas as defined in RCW~~
20 ~~43.31.601; (f) a county designated by the governor as an eligible area~~
21 ~~under RCW 82.60.047; or (g) a county that is contiguous to a county~~
22 ~~that qualifies as an eligible area under (a) or (f) of this~~
23 ~~subsection)) a county with fewer than one hundred persons per square
24 mile as determined annually by the office of financial management and
25 published by the department of revenue effective for the period July
26 1st through June 30th.~~

27 (4)(a) "Eligible investment project" means(~~((~~
28 ~~(i)) an investment project in an eligible area as defined in~~
29 ~~subsection (3)((a), (b), (c), (e), or (f)) of this section((or~~
30 ~~(ii) That portion of an investment project in an eligible area as~~
31 ~~defined in subsection (3)(d) or (g) of this section which is directly~~
32 ~~utilized to create at least one new full-time qualified employment~~
33 ~~position for each three hundred thousand dollars of investment on which~~
34 ~~a deferral is requested in an application approved before July 1, 1994,~~
35 ~~and for each seven hundred fifty thousand dollars of investment on~~
36 ~~which a deferral is requested in an application approved after June 30,~~
37 ~~1994)).~~

38 (b) The lessor/owner of a qualified building is not eligible for a
39 deferral unless the underlying ownership of the buildings, machinery,

1 and equipment vests exclusively in the same person, or unless the
2 lessor by written contract agrees to pass the economic benefit of the
3 deferral to the lessee in the form of reduced rent payments.

4 (c) ~~((For purposes of (a)(ii) of this subsection:~~

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

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

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

22 (5) "Investment project" means an investment in qualified buildings
23 or 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 the same as defined in RCW 82.04.120. "Manufacturing" also includes
33 computer programming, the production of computer software, and other
34 computer-related services, and the activities performed by research and
35 development laboratories and commercial testing laboratories.

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

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

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

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

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

21 (~~11~~)) (10) "Recipient" means a person receiving a tax deferral
22 under this chapter.

23 (~~12~~)) (11) "Research and development" means the development,
24 refinement, testing, marketing, and commercialization of a product,
25 service, or process before commercial sales have begun. As used in
26 this subsection, "commercial sales" excludes sales of prototypes or
27 sales for market testing if the total gross receipts from such sales of
28 the product, service, or process do not exceed one million dollars.

29 **Sec. 702.** RCW 82.60.040 and 1997 c 156 s 5 are each amended to
30 read as follows:

31 (1) The department shall issue a sales and use tax deferral
32 certificate for state and local sales and use taxes due under chapters
33 82.08, 82.12, and 82.14 RCW on each eligible investment project that(~~(~~
34 (~~a~~)) is located in an eligible area as defined in RCW
35 82.60.020(~~(3) (a), (b), (c), (e), or (f);~~

36 (~~b~~) Is located in an eligible area as defined in RCW
37 82.60.020(3)(g) if seventy-five percent of the new qualified employment

1 positions are to be filled by residents of a contiguous county that is
2 an eligible area as defined in RCW 82.60.020(3) (a) or (f); or
3 (c) Is located in an eligible area as defined in RCW
4 82.60.020(3)(d) if seventy five percent of the new qualified employment
5 positions are to be filled by residents of a designated community
6 empowerment zone approved under RCW 43.63A.700 located within the
7 county in which the eligible investment project is located)).

8 (2) The department shall keep a running total of all deferrals
9 granted under this chapter during each fiscal biennium.

10 (3) This section expires July 1, 2004.

11 **Sec. 703.** RCW 82.60.070 and 1995 1st sp.s. c 3 s 9 are each
12 amended to read as follows:

13 (1) ((Each recipient of a deferral granted under this chapter prior
14 to July 1, 1994, shall submit a report to the department on December
15 31st of each year during the repayment period until the tax deferral is
16 repaid.)) Each recipient of a deferral granted under this chapter
17 after June 30, 1994, shall submit a report to the department on
18 December 31st of the year in which the investment project is certified
19 by the department as having been operationally completed, and on
20 December 31st of each of the seven succeeding calendar years. The
21 report shall contain information, as required by the department, from
22 which the department may determine whether the recipient is meeting the
23 requirements of this chapter. If the recipient fails to submit a
24 report or submits an inadequate report, the department may declare the
25 amount of deferred taxes outstanding to be immediately assessed and
26 payable.

27 (2) If, on the basis of a report under this section or other
28 information, the department finds that an investment project is not
29 eligible for tax deferral under this chapter ((for reasons other than
30 failure to create the required number of qualified employment
31 positions)), the amount of deferred taxes outstanding for the project
32 shall be immediately due.

33 (3) ((If, on the basis of a report under this section or other
34 information, the department finds that an investment project for which
35 a deferral has been granted under this chapter prior to July 1, 1994,
36 has been operationally complete for three years and has failed to
37 create the required number of qualified employment positions, the
38 department shall assess interest, but not penalties, on the deferred

1 taxes for the project. The interest shall be assessed at the rate
2 provided for delinquent excise taxes, shall be assessed retroactively
3 to the date of deferral, and shall accrue until the deferred taxes are
4 repaid.

5 (4) If, on the basis of a report under this section or other
6 information, the department finds that an investment project for which
7 a deferral has been granted under this chapter after June 30, 1994, has
8 been operationally complete for three years and has failed to create
9 the required number of qualified employment positions, the amount of
10 taxes not eligible for deferral shall be immediately due. The
11 department shall assess interest at the rate provided for delinquent
12 excise taxes, but not penalties, retroactively to the date of deferral.

13 (5) If, on the basis of a report under this section or other
14 information, the department finds that an investment project qualifying
15 for deferral under RCW 82.60.040(1) (b) or (c) has failed to comply
16 with any requirement of RCW 82.60.045 for any calendar year for which
17 reports are required under subsection (1) of this section, twelve and
18 one half percent of the amount of deferred taxes shall be immediately
19 due. The department shall assess interest at the rate provided for
20 delinquent excise taxes, but not penalties, retroactively to the date
21 of deferral.

22 ((6))) Notwithstanding any other subsection of this section,
23 deferred taxes need not be repaid on machinery and equipment for lumber
24 and wood products industries, and sales of or charges made for labor
25 and services, of the type which qualifies for exemption under RCW
26 82.08.02565 or 82.12.02565 to the extent the taxes have not been repaid
27 before July 1, 1995.

28 (((7))) (4) Notwithstanding any other subsection of this section,
29 deferred taxes on the following need not be repaid:

30 (a) Machinery and equipment, and sales of or charges made for labor
31 and services, which at the time of purchase would have qualified for
32 exemption under RCW 82.08.02565; and

33 (b) Machinery and equipment which at the time of first use would
34 have qualified for exemption under RCW 82.12.02565.

35 **PART VIII**

36 **DISTRESSED AREA BUSINESS AND OCCUPATION TAX JOB CREDIT**

1 **Sec. 801.** RCW 82.62.010 and 1996 c 290 s 5 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~~
9 ~~level 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; (b) a county that has~~
12 ~~a median household income that is less than seventy five percent of the~~
13 ~~state median household income for the previous three years; (c) a~~
14 ~~metropolitan statistical area, as defined by the office of federal~~
15 ~~statistical policy and standards, United States department of commerce,~~
16 ~~in which the average level of unemployment for the calendar year~~
17 ~~immediately preceding the year in which an application is filed under~~
18 ~~this chapter exceeds the average state unemployment for such calendar~~
19 ~~year by twenty percent; (d) a designated community empowerment zone~~
20 ~~approved under RCW 43.63A.700; or (e) subcounty areas in those counties~~
21 ~~that are not covered under (a) of this subsection that are timber~~
22 ~~impact areas as defined in RCW 43.31.601)) an area as defined in RCW
23 82.60.020.~~

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

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

37 (5) "Manufacturing" means (~~all activities of a commercial or~~
38 ~~industrial nature wherein labor or skill is applied, by hand or~~
39 ~~machinery, to materials so that as a result thereof a new, different,~~

1 ~~or useful substance or article of tangible personal property is~~
2 ~~produced for sale or commercial or industrial use and shall include the~~
3 ~~production or fabrication of specially made or custom made articles))~~
4 the same as defined in RCW 82.04.120. "Manufacturing" also includes
5 computer programming, the production of computer software, and other
6 computer-related services, and the activities performed by research and
7 development laboratories and commercial testing laboratories.

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

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

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

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

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

21 **Sec. 802.** RCW 82.62.030 and 1997 c 366 s 5 are each amended to
22 read as follows:

23 (1) A person shall be allowed a credit against the tax due under
24 chapter 82.04 RCW as provided in this section. (~~For an application~~
25 ~~approved before January 1, 1996, the credit shall equal one thousand~~
26 ~~dollars for each qualified employment position directly created in an~~
27 ~~eligible business project. For an application approved on or after~~
28 ~~January 1, 1996, the credit shall equal two thousand dollars for each~~
29 ~~qualified employment position directly created in an eligible business~~
30 ~~project. For an application approved on or after July 1, 1997,)) The
31 credit shall equal: (a) Four thousand dollars for each qualified
32 employment position with wages and benefits greater than forty thousand
33 dollars annually that is directly created in an eligible business(~~(-~~
34 ~~For an application approved on or after July 1, 1997, the credit shall~~
35 ~~equal)) and (b) two thousand dollars for each qualified employment
36 position with wages and benefits less than or equal to forty thousand
37 dollars annually that is directly created in an eligible business.~~~~

1 (2) The department shall keep a running total of all credits
2 granted under this chapter during each fiscal year. The department
3 shall not allow any credits which would cause the tabulation to exceed
4 ~~((five million five hundred thousand dollars in fiscal year 1998 or~~
5 ~~1999 or))~~ seven million five hundred thousand dollars in any fiscal
6 year ~~((thereafter))~~. If all or part of an application for credit is
7 disallowed under this subsection, the disallowed portion shall be
8 carried over for approval the next fiscal year. However, the
9 applicant's carryover into the next fiscal year is only permitted if
10 the tabulation for the next fiscal year does not exceed the cap for
11 that fiscal year as of the date on which the department has disallowed
12 the application.

13 (3) No recipient may use the tax credits to decertify a union ~~((or~~
14 ~~to displace existing jobs in any community in the state))~~.

15 (4) No recipient may receive a tax credit on taxes which have not
16 been paid during the taxable year.

17 **PART IX**

18 **TECHNOLOGY-BASED BUSINESSES**

19 **Software**

20 NEW SECTION. **Sec. 901.** It is the intent of the legislature to
21 attract and retain technology-based businesses in distressed counties.
22 Section 902 of this act provides a tax incentive to those businesses
23 that develop or manufacture software in distressed counties. Section
24 903 of this act provides a tax incentive to those businesses that are
25 engaged in the business of providing technical support services from
26 distressed counties. Encouragement of these types of business will
27 stimulate the information technology industry and be of benefit to the
28 state economy in general. To further the impact and benefit of this
29 program, this incentive is limited to those counties of the state that
30 are characterized by unemployment or low income. The legislature finds
31 that providing this targeted incentive will both increase its
32 effectiveness and create a high technology work force in distressed
33 counties.

34 NEW SECTION. **Sec. 902.** A new section is added to chapter 82.04
35 RCW to read as follows:

1 (1) Subject to the limits and provisions of this section, a credit
2 is authorized against the tax otherwise due under this chapter for
3 persons engaged in a distressed county in the business of manufacturing
4 or programming of software, as those terms are defined in this section.

5 (2) A person who partially or totally relocates a business from one
6 distressed county to another distressed county is eligible for any
7 qualifying new jobs created as a result of the relocation but is not
8 eligible to receive credit for the jobs moved from one county to the
9 other.

10 (3)(a) To qualify for the credit, the qualifying activity of the
11 person must be conducted in a distressed county and the qualified
12 employment position must be located in the distressed county.

13 (b) If an activity is conducted both from a distressed county and
14 outside of a distressed county, the credit is available if at least
15 ninety percent of the qualifying activity takes place within a
16 distressed county. If the qualifying activity is a service taxable
17 activity, the place where the work is performed is the place at which
18 the activity is conducted.

19 (4)(a) The credit under this section shall equal one thousand
20 dollars for each qualified employment position created after July 1,
21 1999, in an eligible area. A credit is earned for the calendar year
22 the person is hired to fill the position. Additionally a credit is
23 earned for each year the position is maintained over the subsequent
24 consecutive years, up to six years. The county must meet the
25 definition of a distressed county at the time the position is filled.
26 If the county does not have a distressed county status the following
27 year or years, the position is still eligible for the remaining years
28 if all other conditions are met.

29 (b) Credit may not be taken for hiring of persons into positions
30 that exist before July 1, 1999. Credit is authorized for new employees
31 hired for new positions created on or after July 1, 1999. New
32 positions filled by existing employees are eligible for the credit
33 under this section only if the position vacated by the existing
34 employee is filled by a new hire. A business that is a sole
35 proprietorship without any employees is equivalent to one employee
36 position and this type of business is eligible to receive credit for
37 one position.

1 (c) If a position is filled before July 1st, this position is
2 eligible for the full yearly credit. If it is filled after June 30th,
3 this position is eligible for half of the credit.

4 (d) A person that has engaged in qualifying activities in the
5 distressed county before the effective date of this section qualifies
6 for the credit under this section for positions created and filled
7 after the effective date of this section.

8 (5) No application is necessary for the tax credit. The person
9 must keep records necessary for the department to verify eligibility
10 under this section. This information includes information relating to
11 description of qualifying activity engaged in the distressed county and
12 outside the distressed county by the person as well as detailed records
13 on positions and employees. The department shall, in consultation with
14 a representative group of affected taxpayers, develop a method of
15 segregating activity and related income so that those persons who
16 engage in multiple activities can determine eligibility for credit
17 under this section.

18 (6) If at any time the department finds that a person is not
19 eligible for tax credit under this section, the amount of taxes for
20 which a credit has been claimed shall be immediately due. The
21 department shall assess interest, but not penalties, on the taxes for
22 which the person is not eligible. The interest shall be assessed at
23 the rate provided for delinquent excise taxes under chapter 82.32 RCW,
24 shall be assessed retroactively to the date the tax credit was taken,
25 and shall accrue until the taxes for which a credit has been used are
26 repaid.

27 (7) The credit under this section may be used against any tax due
28 under this chapter, but in no case may a credit earned during one
29 calendar year be carried over to be credited against taxes incurred in
30 a subsequent calendar year. A person is not eligible to receive a
31 credit under this section if the person is receiving credit for the
32 same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking
33 the credit under section 903 of this act. No refunds may be granted
34 for credits under this section.

35 (8) County eligibility under this section shall be based on the
36 same list as published by the department under chapter 82.60 RCW. The
37 eligibility period is from July 1st of each year to June 30th of the
38 next year.

1 (9) A person taking tax credits under this section shall make an
2 annual report to the department. The report shall be in a letter form
3 and shall include the following information: Number of positions for
4 which credit is being claimed, type of position for which credit is
5 being claimed, type of activity in which the person is engaged in the
6 county, and how long the person has been located in the county. The
7 report must be filed by January 30th of each year for which credit was
8 claimed during the previous year.

9 (10) Transfer of ownership does not affect credit eligibility;
10 however, the credit is available to the successor for remaining periods
11 in the seven years only if the eligibility conditions of this section
12 are met.

13 (11) As used in this section:

14 (a) "Distressed county" means an eligible area as defined in RCW
15 82.60.020.

16 (b) "Manufacturing" means the same as "to manufacture" under RCW
17 82.04.120. Manufacturing includes the activities of both manufacturers
18 and processors for hire.

19 (c) "Programming" means the activities that involve the creation or
20 modification of software, as that term is defined in this chapter, and
21 that are taxable as a service under RCW 82.04.290(2) or as a retail
22 sale under RCW 82.04.050.

23 (d) "Qualifying activity" means manufacturing or programming of
24 software.

25 (e) "Qualified employment position" means a permanent full-time
26 position doing programming of software or manufacturing of software.
27 This excludes administrative, professional, service, executive, and
28 other similar positions. If an employee is either voluntarily or
29 involuntarily separated from employment, the employment position is
30 considered filled on a full-time basis if the employer is either
31 training or actively recruiting a replacement employee. Full-time
32 means a position for at least thirty-five hours a week.

33 (f) "Software" has the same meaning as defined in RCW 82.04.215.

34 **Help Desk Services**

35 NEW SECTION. **Sec. 903.** A new section is added to chapter 82.04
36 RCW to read as follows:

1 (1) Subject to the limits and provisions of this section, a credit
2 is authorized against the tax otherwise due under this chapter for
3 persons engaged in a distressed county in the business of providing
4 information technology help desk services to third parties.

5 (2) To qualify for the credit, the help desk services must be
6 conducted from a distressed county.

7 (3)(a) For the first eighty-four months in which the person is
8 engaged in the activity of providing information technology help desk
9 services in the distressed county, the amount of the credit shall be
10 equal to one hundred percent of the amount of tax due under this
11 chapter that is attributable to providing the services from the
12 distressed county. In order to qualify for the credit under this
13 subsection (3)(a), the county must meet the definition of "distressed
14 county" at the time the person begins to conduct qualifying business in
15 the county. If the county subsequently does not qualify for distressed
16 county status, the person may continue to take the credit for the
17 remaining time in the eighty-four months if all other conditions are
18 met. A person who locates in a county during a period of time for
19 which the county does not meet the distressed county status is not
20 eligible to receive the credit under this subsection (3)(a).

21 (b) A person who is not eligible for the credit under (a) of this
22 subsection is potentially eligible for credit under this subsection
23 (3)(b). If the person is engaged in the activity of providing
24 information technology help desk services in a distressed county, the
25 amount of the credit shall equal sixty-eight percent of the amount of
26 tax due under this chapter that is attributable to providing the
27 service from the distressed county. In order to qualify for the credit
28 under this subsection, the county must meet the definition of
29 "distressed county" during the period of time for which the credit is
30 being claimed. A person is not eligible for a credit under this
31 subsection (3)(b) for activity conducted during any period of time the
32 county does not have a distressed county status.

33 (c) A person who has engaged in providing information technology
34 help desk services in the distressed county before the effective date
35 of this section qualifies for the credit under (a) of this subsection
36 for any remaining time in the eighty-four months, after which time the
37 person is potentially eligible for the credit under (b) of this
38 subsection. A person who has engaged in providing information
39 technology help desk services in the distressed county before the

1 effective date of this section for more than eighty-four months is
2 potentially eligible for the credit under (b) of this subsection.

3 (4) No application is necessary for the tax credit. The person
4 must keep records necessary for the department to verify eligibility
5 under this section. These records include information relating to
6 description of activity engaged in a distressed county by the person.

7 (5) If at any time the department finds that a person is not
8 eligible for tax credit under this section, the amount of taxes for
9 which a credit has been used is immediately due. The department shall
10 assess interest, but not penalties, on the credited taxes for which the
11 person is not eligible. The interest shall be assessed at the rate
12 provided for delinquent excise taxes under chapter 82.32 RCW, shall be
13 assessed retroactively to the date the tax credit was taken, and shall
14 accrue until the taxes for which a credit has been used are repaid.

15 (6) The credit under this section may be used against any tax due
16 under this chapter, but in no case may a credit earned during one
17 calendar year be carried over to be credited against taxes incurred in
18 a subsequent calendar year. A person is not eligible to receive a
19 credit under this section if the person is receiving credit under
20 section 902 of this act or RCW 82.04.44525 or chapter 82.62 RCW. No
21 refunds may be granted for credits under this section.

22 (7) County eligibility under this section shall be based on the
23 same list as published by the department under chapter 82.60 RCW. The
24 eligibility period is from July 1st of each year to June 30th of the
25 next year.

26 (8) A person taking tax credits under this section shall make an
27 annual report to the department. The report shall be in a letter form
28 and shall include the following information: Type of activity in which
29 the person is engaged in the county, number of employees in the
30 distressed county, and how long the person has been located in the
31 county. The report must be filed by January 30th of each year for
32 which credit was claimed during the previous year.

33 (9) Transfer of ownership does not affect credit eligibility;
34 however, the credit is available to the successor only if the
35 eligibility conditions of this section are met.

36 (10) As used in this section:

37 (a) "Distressed county" means an eligible area as defined in RCW
38 82.60.020.

1 (b) "First eighty-four months" means the eighty-four months of
2 operation in a county following commencement of business activity.
3 Business activity is deemed to commence upon the act of engaging in the
4 business of providing the help desk services from the county.

5 (c) "Information technology help desk services" means the following
6 inbound technical or customer support services performed using
7 electronic and telephonic communication:

- 8 (i) Hardware and software maintenance;
- 9 (ii) Hardware and software diagnostics and troubleshooting;
- 10 (iii) Hardware and software installation;
- 11 (iv) Hardware and software repair;
- 12 (v) Hardware and software information and training; and
- 13 (vi) Hardware and software upgrade.

14 NEW SECTION. **Sec. 904.** A new section is added to chapter 82.62
15 RCW to read as follows:

16 A person is not eligible to receive a credit under this chapter if
17 the person is receiving credit for the same position under section 902
18 of this act or RCW 82.04.44525 or is receiving a credit under section
19 903 of this act.

20 NEW SECTION. **Sec. 905.** The following acts or parts of acts are
21 each repealed:

- 22 (1) RCW 82.60.045 (Eligible projects--Additional requirements) and
23 1995 1st sp.s. c 3 s 7 & 1994 sp.s. c 1 s 4; and
- 24 (2) RCW 82.60.047 (Governor designation of county as eligible
25 area--Natural disaster, business closure, military base closure, mass
26 layoff) and 1994 sp.s. c 1 s 9.

27 **PART X**
28 **ELECTRIC UTILITIES**

29 NEW SECTION. **Sec. 1001.** The legislature finds that it is
30 necessary to employ multiple approaches to revitalize the economy of
31 Washington state's rural areas. The legislature also finds that where
32 possible, Washington state should develop programs which can complement
33 other private, state, and federal programs. It is the intent of
34 section 1002 of this act to complement such rural economic development
35 efforts by creating a public utility tax offset program to help

1 establish locally based electric utility revolving fund programs to be
2 used for economic development and job creation.

3 NEW SECTION. **Sec. 1002.** A new section is added to chapter 82.16
4 RCW to read as follows:

5 (1) The following definitions apply to this section:

6 (a) "Qualifying project" means a project designed to achieve job
7 creation or business retention, to add or upgrade nonelectrical
8 infrastructure, to add or upgrade health and safety facilities, to
9 accomplish energy and water use efficiency improvements, including
10 renewable energy development, or to add or upgrade emergency services
11 in any designated qualifying rural area.

12 (b) "Qualifying rural area" means:

13 (i) An eligible area as defined in RCW 82.60.020; or

14 (ii) Any geographic area in the state that receives electricity
15 from a light and power business with fewer than twenty-six meters per
16 mile of distribution line as determined and published by the department
17 of revenue effective July 1st of each year. The department shall use
18 current data provided by the electricity industry.

19 (c) "Electric utility rural economic development revolving fund"
20 means a fund devoted exclusively to funding qualifying projects in
21 qualifying rural areas.

22 (d) "Local board" is a board of directors with at least, but not
23 limited to, three members who have been appointed by the sponsoring
24 electric utility to oversee and direct the activities of the electric
25 utility rural economic development revolving fund.

26 (e) "Geographic area" means any portion of a light and power
27 business' service territory, either in whole or any subdivision
28 thereof.

29 (2) A light and power business with fewer than twenty-six active
30 meters per mile of distribution line in any geographic area in the
31 state shall be allowed a credit against taxes due under this chapter in
32 an amount equal to fifty percent of contributions made in any calendar
33 year directly to an electric utility rural economic development
34 revolving fund. The credit under this section shall not exceed one
35 hundred thousand dollars per calendar year. The credit may not exceed
36 the tax that would otherwise be due under this chapter. Refunds shall
37 not be granted in the place of credits and excess expenditures shall
38 not be carried over to subsequent years.

1 (3) The right to claim tax credits under this section expires
2 December 31, 2005. However any credits claimed prior to that date
3 remain available for use indefinitely, subject to restrictions set
4 forth in subsection (6) of this section.

5 (4) To qualify for the credit in subsection (2) of this section,
6 the light and power business shall establish an electric utility rural
7 economic development revolving fund which is governed by a local board
8 whose members shall reside in the qualifying rural area served by the
9 light and power business. The local board shall have authority to
10 determine all criteria and conditions for the expenditure of funds from
11 the electric utility rural economic development fund, and for the terms
12 and conditions of repayment.

13 (5) Any funds repaid to the electric utility rural economic
14 development fund by recipients shall be made available for additional
15 qualifying projects.

16 (6) If at any time the electric utility rural economic development
17 fund is dissolved, any moneys claimed as a tax credit under this
18 section shall either be granted to a qualifying project or refunded to
19 the state within two years of termination.

20 (7) The total amount of credits granted under this section shall
21 not exceed seven hundred fifty thousand dollars in any fiscal year.

22 **PART XI**

23 **COMMUNITY EMPOWERMENT ZONES**

24 NEW SECTION. **Sec. 1101.** A new section is added to chapter 82.60
25 RCW to read as follows:

26 (1) For the purposes of this section:

27 (a) "Eligible area" also means a designated community empowerment
28 zone approved under RCW 43.63A.700.

29 (b) "Eligible investment project" also means an investment project
30 in an eligible area as defined in this section.

31 (2) In addition to the provisions of RCW 82.60.040, the department
32 shall issue a sales and use tax deferral certificate for state and
33 local sales and use taxes due under chapters 82.08, 82.12, and 82.14
34 RCW, on each eligible investment project that is located in an eligible
35 area, if the applicant establishes that at the time the project is
36 operationally complete:

1 (a) The applicant will hire at least one qualified employment
2 position for each seven hundred fifty thousand dollars of investment on
3 which a deferral is requested; and

4 (b) The positions will be filled by persons who at the time of hire
5 are residents of the community empowerment zone in which the project is
6 located. As used in this subsection, "resident" means the person makes
7 his or her home in the community empowerment zone. A mailing address
8 alone is insufficient to establish that a person is a resident for the
9 purposes of this section. The persons must be hired after the date the
10 application is filed with the department.

11 (3) All other provisions and eligibility requirements of this
12 chapter apply to applicants eligible under this section.

13 (4) If a person does not meet the requirements of this section by
14 the end of the calendar year following the year in which the project is
15 certified as operationally complete, all deferred taxes are immediately
16 due.

17 NEW SECTION. **Sec. 1102.** A new section is added to chapter 82.62
18 RCW to read as follows:

19 (1) For the purposes of this section "eligible area" also means a
20 designated community empowerment zone approved under RCW 43.63A.700.

21 (2) An eligible business project located within an eligible area as
22 defined in this section qualifies for a credit under this chapter for
23 those employees who at the time of hire are residents of the community
24 empowerment zone in which the project is located, if the fifteen
25 percent threshold is met. As used in this subsection, "resident" means
26 the person makes his or her home in the community empowerment zone. A
27 mailing address alone is insufficient to establish that a person is a
28 resident for the purposes of this section.

29 (3) All other provisions and eligibility requirements of this
30 chapter apply to applicants eligible under this section.

31 **PART XII**

32 **REPEALED SECTIONS**

33 **Sec. 1201.** RCW 43.131.386 and 1997 c 367 s 19 are each amended to
34 read as follows:

35 The following acts or parts of acts, as now existing or hereafter
36 amended, are each repealed, effective June 30, 2001:

1 (1) RCW 43.31.601 and 1997 c 367 s 1, 1995 c 226 s 1, 1992 c 21 s
2 2, & 1991 c 314 s 2;
3 (2) RCW 43.31.641 and 1997 c 367 s 6, 1995 c 226 s 4, 1993 c 280 s
4 50, & 1991 c 314 s 7;
5 (3) RCW 50.22.090 and (~~1995 c 226 s 5, 1993 c 316 s 10, 1992 c 47~~
6 ~~s 2, & 1991 c 315 s 4~~) 1997 c 367 s 4;
7 (4) (~~RCW 43.160.212 and 1996 c 168 s 4, 1995 c 226 s 6, & 1993 c~~
8 ~~316 s 5;~~
9 ~~(5)~~) RCW 43.63A.021 and 1997 c 367 s 5 & 1995 c 226 s 11;
10 (~~(6)~~) (5) RCW 43.63A.600 and 1995 c 226 s 12, 1994 c 114 s 1,
11 1993 c 280 s 77, & 1991 c 315 s 23;
12 (~~(7)~~) (6) RCW 43.63A.440 and 1997 c 367 s 7, 1995 c 226 s 13,
13 1993 c 280 s 74, & 1989 c 424 s 7;
14 (~~(8)~~ RCW 43.160.200 and 1995 c 226 s 16, 1993 c 320 s 7, 1993 c
15 ~~316 s 4, & 1991 c 314 s 23;~~
16 ~~(9)~~) (7) RCW 28B.50.258 and 1995 c 226 s 18 & 1991 c 315 s 16;
17 (~~(10)~~) (8) RCW 28B.50.262 and 1995 c 226 s 19 & 1994 c 282 s 3;
18 (~~(11)~~) (9) RCW 28B.80.570 and 1997 c 367 s 14, 1995 c 226 s 20,
19 1992 c 21 s 6, & 1991 c 315 s 18;
20 (~~(12)~~) (10) RCW 28B.80.575 and 1995 c 269 s 1001, 1995 c 226 s
21 21, & 1991 c 315 s 19;
22 (~~(13)~~) (11) RCW 28B.80.580 and 1997 c 367 s 15, 1995 c 226 s 22,
23 1993 sp.s. c 18 s 34, 1992 c 231 s 31, & 1991 c 315 s 20;
24 (~~(14)~~) (12) RCW 28B.80.585 and 1995 c 226 s 23 & 1991 c 315 s 21;
25 (~~(15)~~) (13) RCW 43.17.065 and 1995 c 226 s 24, 1993 c 280 s 37,
26 1991 c 314 s 28, & 1990 1st ex.s. c 17 s 77;
27 (~~(16)~~) (14) RCW 43.20A.750 and (~~1995 c 226 s 25, 1993 c 280 s~~
28 ~~38, 1992 c 21 s 4, & 1991 c 153 s 28~~) 1997 c 367 s 16;
29 (~~(17)~~) (15) RCW 43.168.140 and 1995 c 226 s 28 & 1991 c 314 s 20;
30 (~~(18)~~) (16) RCW 50.12.270 and 1997 c 367 s 17, 1995 c 226 s 30,
31 & 1991 c 315 s 3;
32 (~~(19)~~) (17) RCW 50.70.010 and 1995 c 226 s 31, 1992 c 21 s 1, &
33 1991 c 315 s 5; and
34 (~~(20)~~) (18) RCW 50.70.020 and 1995 c 226 s 32 & 1991 c 315 s 6.

35 NEW SECTION. Sec. 1202. RCW 43.160.212 (Rural natural resources
36 impact areas--Loans for public works facilities) and 1996 c 168 s 4,
37 1995 c 226 s 6, 1993 c 316 s 5, 1992 c 21 s 8, & 1991 c 314 s 26 are
38 each repealed.

