
SENATE BILL 6634

State of Washington

56th Legislature

2000 Regular Session

By Senators Sheahan, T. Sheldon, Finkbeiner, Oke, Swecker, Honeyford, Hale, Deccio, Morton, McCaslin, Roach, Rasmussen and Gardner

Read first time 01/21/2000. Referred to Committee on Agriculture & Rural Economic Development.

1 AN ACT Relating to tax credits for employment in counties adjacent
2 to rural counties; and amending RCW 82.04.4456.

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

4 **Sec. 1.** RCW 82.04.4456 and 1999 c 311 s 302 are each amended to
5 read as follows:

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

10 (2) A person who partially or totally relocates a business from one
11 rural county to another rural county is eligible for any qualifying new
12 jobs created as a result of the relocation but is not eligible to
13 receive credit for the jobs moved from one county to the other.

14 (3)(a) To qualify for the credit, the qualifying activity of the
15 person must be conducted in a rural county and the qualified employment
16 position must be located in the rural county.

17 (b) If an activity is conducted both from a rural county and
18 outside of a rural county, the credit is available if at least ninety
19 percent of the qualifying activity takes place within a rural county.

1 If the qualifying activity is a service taxable activity, the place
2 where the work is performed is the place at which the activity is
3 conducted.

4 (4)(a) The credit under this section shall equal one thousand
5 dollars for each qualified employment position created after July 1,
6 1999, in an eligible area. A credit is earned for the calendar year
7 the person is hired to fill the position. Additionally a credit is
8 earned for each year the position is maintained over the subsequent
9 consecutive years, up to four years. The county must meet the
10 definition of a rural county at the time the position is filled. If
11 the county does not have a rural county status the following year or
12 years, the position is still eligible for the remaining years if all
13 other conditions are met.

14 (b) Credit may not be taken for hiring of persons into positions
15 that exist before July 1, 1999. Credit is authorized for new employees
16 hired for new positions created on or after July 1, 1999. New
17 positions filled by existing employees are eligible for the credit
18 under this section only if the position vacated by the existing
19 employee is filled by a new hire. A business that is a sole
20 proprietorship without any employees is equivalent to one employee
21 position and this type of business is eligible to receive credit for
22 one position.

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

26 (d) A person that has engaged in qualifying activities in the rural
27 county before August 1, 1999, qualifies for the credit under this
28 section for positions created and filled after August 1, 1999.

29 (5) No application is necessary for the tax credit. The person
30 must keep records necessary for the department to verify eligibility
31 under this section. This information includes information relating to
32 description of qualifying activity engaged in the rural county and
33 outside the rural county by the person as well as detailed records on
34 positions and employees. The department shall, in consultation with a
35 representative group of affected taxpayers, develop a method of
36 segregating activity and related income so that those persons who
37 engage in multiple activities can determine eligibility for credit
38 under this section.

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

10 (7) The credit under this section may be used against any tax due
11 under this chapter, but in no case may a credit earned during one
12 calendar year be carried over to be credited against taxes incurred in
13 a subsequent calendar year. A person is not eligible to receive a
14 credit under this section if the person is receiving credit for the
15 same position under chapter 82.62 RCW or RCW 82.04.44525 or is taking
16 the credit under RCW 82.04.4457. No refunds may be granted for credits
17 under this section.

18 (8) A person taking tax credits under this section shall make an
19 annual report to the department. The report shall be in a letter form
20 and shall include the following information: Number of positions for
21 which credit is being claimed, type of position for which credit is
22 being claimed, type of activity in which the person is engaged in the
23 county, and how long the person has been located in the county. The
24 report must be filed by January 30th of each year for which credit was
25 claimed during the previous year.

26 (9) Transfer of ownership does not affect credit eligibility;
27 however, the credit is available to the successor for remaining periods
28 in the five years only if the eligibility conditions of this section
29 are met.

30 (10) A rural county may transfer its status as a rural county for
31 the purposes of this section to one adjacent county. If a rural county
32 transfers its status as a rural county, no qualified employment
33 position that exists or is created in the rural county after the
34 transfer of status, that otherwise qualifies under the provisions of
35 this section, shall receive the credit under this section. Persons in
36 an adjacent county that is eligible for the credit under this section
37 must comply with all the requirements of this section, except for the
38 designation as a rural county.

39 (11) As used in this section:

1 (a) "Manufacturing" means the same as "to manufacture" under RCW
2 82.04.120. Manufacturing includes the activities of both manufacturers
3 and processors for hire.

4 (b) "Programming" means the activities that involve the creation or
5 modification of software, as that term is defined in this chapter, and
6 that are taxable as a service under RCW 82.04.290(2) or as a retail
7 sale under RCW 82.04.050.

8 (c) "Qualifying activity" means manufacturing of software or
9 programming.

10 (d) "Qualified employment position" means a permanent full-time
11 position doing programming of software or manufacturing of software.
12 This excludes administrative, professional, service, executive, and
13 other similar positions. If an employee is either voluntarily or
14 involuntarily separated from employment, the employment position is
15 considered filled on a full-time basis if the employer is either
16 training or actively recruiting a replacement employee. Full-time
17 means a position for at least thirty-five hours a week.

18 (e) "Rural county" means a county with a population density of less
19 than one hundred persons per square mile as determined by the office of
20 financial management and published each year by the department for the
21 period July 1st to June 30th.

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

23 (g) "Adjacent county" means a county having a common boundary with
24 a rural county.

25 (~~(11)~~) (12) No credit may be taken or accrued under this section
26 on or after January 1, 2004.

27 (~~(12)~~) (13) This section expires December 31, 2003.

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