

SENATE BILL REPORT

SB 5583

As Passed Senate, April 14, 2003

Title: An act relating to economic development.

Brief Description: Promoting economic development through tax credits and exemptions.

Sponsors: Senators Haugen, Shin, T. Sheldon, Hale and Rasmussen.

Brief History:

Committee Activity: Economic Development: 2/12/03, 2/19/03 [DP-WM].

Ways & Means: 2/25/03, 4/7/03 [DP].

Passed Senate: 4/14/03, 47-1.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators T. Sheldon, Chair; Zarelli, Vice Chair; Hale, Rossi, Schmidt, B. Sheldon and Shin.

Staff: Alison Mendiola-Hamilton (786-7576)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Doumit, Hale, Honeyford, Johnson, Parlette, Roach and Sheahan.

Staff: Catherine Suter (786-7442)

Background: Rural counties with fewer than 100 people per square mile qualify for six tax incentives:

1. the software development business and occupation (B&O) tax credit;
2. the help-desk services B&O tax credit;
3. the economic development public utility tax credit;
4. the manufacturing, research and development, and computer services sales/use tax deferral;
5. the job creation B&O tax credit; and
6. the job training B&O tax credit.

In addition, a rural county may impose a sales and use tax, credited against the state tax, of up to .08 percent for the purpose of financing public facilities in rural counties.

In 2002, the Legislature extended the public facilities sales and use tax credit to include counties smaller than 225 square miles.

Summary of Bill: The expanded definition of "rural county," that includes counties smaller than 225 square miles, is applied to the other six rural tax incentive programs.

Appropriation: None.

Fiscal Note: Requested on February 10, 2003.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For (Economic Development): Island County is more rural than a lot of rural counties but due to the size of the island, the density in some parts exceeds the definition of rural. The infrastructure is insufficient. The definition of rural county needs to be expanded to provide tools for economic development. It was a mistake not to include Island County under the definition of rural back in 1999.

Testimony Against (Economic Development): None.

Testified (Economic Development): Senator Haugen, prime sponsor (pro).

Testimony For (Ways & Means): Island County is a rural county, though it is thought of as urban. It is trying to diversify and has little public infrastructure. Its average income is \$10,000-50,000 per year. This is a fairness issue.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): Senator Haugen, prime sponsor (pro).