FINAL BILL REPORT
2SSB 6626

C 15 L 08

Synopsis as Enacted

Brief Description: Creating a sales and use tax deferral program for eligible investment projects in community empowerment zones.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kilmer, Kastama, Rasmussen, Regala, Franklin, Marr, Carrell and Shin).

Senate Committee on Economic Development, Trade & Management
Senate Committee on Ways & Means
House Committee on Finance

Background: The Community Empowerment Zone (CEZ) program was created in 1993 to encourage public and private investment in low-income areas with high rates of unemployment. Local governments must request that an area receive a CEZ designation from the Department of Community, Trade and Economic Development. Only six areas in the state may receive the CEZ designation. Tax benefits available to firms that locate in a CEZ include sales and use tax deferrals and business and occupation tax credits for job creation and employer-provided job training.

Summary: Construction of corporate headquarters in a CEZ qualifies a person for deferral of sales and use taxes that would normally be incurred in the course of the construction. Manufacturing, warehousing, and wholesaling activities are excluded. The investment in the headquarters must be at least $30 million and the headquarters must house at least 300 full-time employees earning at least the average annual state wage.

Tax deferral will not be allowed for any tax liability incurred prior to application for deferral. Only one deferral certificate may be issued per CEZ per biennium. The total number of deferral certificates issued per biennium is limited to two.

Recipients of deferrals are required to complete an annual survey and provide information on the amount of taxes deferred as well as on wages and jobs. The survey is due the year after the project is certified as operationally complete, and for the seven succeeding calendar years. The Department of Revenue (DOR) is to study the effect of the credit on jobs and firms and report to the Legislature on December 1 of 2014 and 2018.

The deferred taxes need not be repaid if the recipient of the deferral continues to meet the eligibility requirements. If a deferral recipient fails to complete an annual survey, one-eighth of the taxes deferred are immediately due.

Votes on Final Passage:

Senate	48	0	
House	92	1	(House amended)
Senate	47	0	(Senate concurred)

Effective: July 1, 2009