

SENATE BILL REPORT

SHB 1981

As of March 16, 2009

Title: An act relating to modifying the rural county tax credit provided in chapter 82.62 RCW.

Brief Description: Modifying the rural county tax credit provided in chapter 82.62 RCW.

Sponsors: House Committee on Finance (originally sponsored by Representatives Driscoll, Parker, Wood and Ormsby).

Brief History: Passed House: 3/06/09, 95-0.

Committee Activity: Agriculture & Rural Economic Development: 3/17/09.

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Staff: Sam Thompson (786-7413)

Background: A credit against the state business and occupation (B&O) tax is provided for manufacturing, research and development, or computer service firms that create new jobs in rural counties or community empowerment zones.

Rural counties are defined as those with an average population density of less than 100 persons per square mile. Currently, of the state's 39 counties, only six (Clark, King, Kitsap, Pierce, Snohomish, Spokane and Thurston) do not meet this definition. Community empowerment zones have been established in King, Kitsap, Pierce, and Spokane Counties.

The amount of the credit is \$2,000 for each new job created, unless the new position is paid wages (including benefits) of more than \$40,000 annually, in which case the credit is \$4,000. To qualify, a firm must increase its total employment in rural counties or community empowerment zones by at least 15 percent. The amount of credit is capped at \$7.5 million annually for all firms.

The 15 percent job increase percentage is calculated by comparing employment in the four full calendar quarters after employees are hired to employment in the four full calendar quarters before employees were hired.

Summary of Bill: The threshold to qualify for the state B&O tax credit for manufacturing, research and development, or computer service firms that create new jobs in rural counties or

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community empowerment zones is revised. The requirement that a firm increase its total employment in an eligible area by at least 15 percent is lowered to 10 percent. The method for calculating job increase percentages is retained.

The act applies to applications for credit received by the Department of Revenue on or after January 1, 2010.

Appropriation: None.

Fiscal Note: Requested on March 3, 2009.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on January 1, 2010.