

# HOUSE BILL REPORT

## HB 2413

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**As Reported by House Committee On:**  
Trade & Economic Development

**Title:** An act relating to subsidy disclosure.

**Brief Description:** Requiring business subsidy disclosure.

**Sponsors:** Representatives Veloria, Campbell, Conway, Hurst, Dunshee and Kenney.

**Brief History:**

**Committee Activity:**

Trade & Economic Development: 1/22/02, 2/1/02 [DPS].

**Brief Summary of Substitute Bill**

- Requires that any for-profit business entity that receives or takes a business incentive through the Department of Revenue file a report by March 1 of each year on the type and amount of business incentive received and the projected and actual jobs created together with the hourly wages paid.
- Requires the Department of Revenue to compile the information and report to the appropriate committees of the Legislature by September 1 of each year.

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### HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Veloria, Chair; Eickmeyer, Vice Chair; Chase, Fromhold and Gombosky.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Van Luven, Ranking Minority Member; Ahern, Dunn and Mulliken.

**Staff:** Kenny Pittman (786-7392).

**Background:**

The state of Washington has created various economic development incentive programs that are designed to encourage job creation or retention on either a statewide basis or in

economically distressed or rural areas. These programs provide incentives to businesses through the use of loans, grants, tax credit, tax exemptions or tax deferrals.

Currently, there is no systematic method for monitoring whether these state business incentives have resulted in the creation or retention of jobs or the quality of jobs created.

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### **Summary of Substitute Bill:**

The Department of Revenue (DOR) is required to collect information on any recipient that has received, been granted, or taken a business incentive. A "recipient" means a for-profit business entity. A "business incentive" is defined as a state tax credit, state tax deferral, or state tax exemption taken by or provided to a recipient.

The DOR is required to make available to recipients of a business incentive a business incentive disclosure statement form. The DOR will make the form available electronically and in paper form and will provide a copy to all recipients of a business subsidy.

A recipient must file its report to the DOR by March 1 of each year that it receives a business incentive. The report contains information on: (a) the type and amount of business incentive received; (b) the projected and actual number of jobs created within specified wage bands; and (c) provision of employee benefits. A recipient that does not submit its report by March 1 of each year is not eligible to receive additional business subsidies until the DOR has determined the disclosure statement has been satisfactorily completed.

A recipient that has taken the machinery and equipment sales and use tax exemption is required to provide the disclosure statement information only if it's selected for a statistical sampling conducted by DOR. The requirement to complete a business incentive disclosure statement applies to recipients that have been granted, have received, or have taken a business incentive during calendar year 2002 and thereafter.

The DOR must publish information on the recipients that received a business incentive that includes: (a) the amount of the business incentive; (b) the projected and actual number of full-time or part-time jobs created in specific wage bands; and (c) provision of employee benefits.

The DOR must report its findings to the appropriate committees of the legislature by September 1 of each year and post a copy of the report on its website.

### **Substitute Bill Compared to Original Bill:**

The substitute bill: (a) Limits the application of the business incentive disclosure to

specific tax incentive programs administered by the Department of Revenue; (b) allows the collection of information through a statistical sampling for those recipients that have taken the machinery and equipment sales and use tax exemption; (c) removes the reporting requirement for business incentives made to for-profit business entities by a local government or other state agencies, except specified tax incentive programs administered by the Department of Revenue; (d) revises the dates that the reports must be submitted to the Department of Revenue from August 1 to March 1 of each year; and (e) establishes a process and procedure for making a recipient ineligible for additional business incentives until the reporting requirements have been met.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** (Original bill) This bill is about accountability and provides a valuable evaluation tool to policymakers. At a time of limited resources, taxpayers want to know what they are getting for their tax dollars. The disclosure statement information will allow us see if the programs are doing what they were intended to do -- create economic opportunities for the state's residents. Another goal is to see if we are creating the kind of jobs that will allow people to get off public assistance.

**Testimony Against:** (Original bill) This bill goes too far with its definition of a business subsidy. It needs to be tightened up and should be targeted to only one program. We should see if it actually works before we apply it to a range of programs. The requirement to have a business report on its use of these programs would be difficult on the business and falls into the category of another regulation.

**Testified:** (In support) Representative Veloria, prime sponsor; Thomas Vasquez, Washington Citizen Action; Jeff Johnson, Washington State Labor Council; and Sara Merten, Washington Association of Churches.

(Against) Ron Newbry, Washington Economic Development Association; and Gary Smith, Independent Business Association.