
HOUSE BILL 2762

State of Washington

58th Legislature

2004 Regular Session

By Representatives Santos, Kagi, Conway, Moeller, Hunt, Cody, Hudgins, Simpson, G., Kirby, Chase, Darneille and Morrell

Read first time 01/20/2004. Referred to Committee on Finance.

1 AN ACT Relating to private business entities supported by state tax
2 preferences; adding a new chapter to Title 82 RCW; and providing an
3 effective date.

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

5 NEW SECTION. **Sec. 1.** The legislature finds that when public
6 funds, through tax preferences, are used to support private enterprise,
7 the public may gain through the creation of new jobs, the
8 diversification of the economy, and by raising living standards. The
9 legislature further finds that such returns on taxpayers' public
10 investments are not automatic and that tax preferences may result in a
11 greater tax burden to those not eligible for public support or may
12 result in a lower return to the public than if the taxes were collected
13 and spent on education, health care, or other critical social services.
14 Therefore, in order to improve the effectiveness of tax preferences for
15 supporting private enterprise and to ensure that they achieve the goal
16 of raising living standards for working families and strengthening the
17 Washington state economy, the legislature finds it necessary for the
18 state and its political subdivisions to collect, analyze, and make

1 publicly available information regarding those tax preferences and to
2 enact eligibility standards and safeguards for their use.

3 NEW SECTION. **Sec. 2.** Unless the context clearly requires
4 otherwise, the definitions in this section apply throughout this
5 chapter.

6 (1) Business "tax preference" means an exemption, exclusion, or
7 deduction from the base of a state tax, a credit against a state tax,
8 a deferral of a state tax, or a preferential state tax rate.

9 (2) "Full-time permanent job" means a job in which the new employee
10 works for the business at a rate of at least thirty-five hours per
11 week.

12 (3) "Part-time" job means a job in which the new employee works for
13 the business at a rate of less than thirty-five hours per week.

14 (4) "Temporary job" means a job in which the new employee is hired
15 for a specific duration of time or season.

16 (5) "Local hire agreements" means contracting with Washington state
17 registered contractors who employ predominantly Washington state
18 residents.

19 (6) "Wage bands" means the following six groupings of wage rates:

20 (a) Up to the state minimum wage plus two dollars per hour;

21 (b) Between the state minimum wage plus two dollars and one cent to
22 the state minimum wage plus four dollars per hour;

23 (c) Between the state minimum wage and four dollars and one cent to
24 the state minimum wage plus six dollars per hour;

25 (d) Between the state minimum wage and six dollars and one cent to
26 the state minimum wage plus eight dollars per hour;

27 (e) Between the state minimum wage plus eight dollars and one cent
28 to the state minimum wage plus ten dollars per hour;

29 (f) Greater than the state minimum wage plus ten dollars and one
30 cent per hour.

31 NEW SECTION. **Sec. 3.** In order for private businesses to qualify
32 for tax preferences, they must comply with the following eligibility
33 standards:

34 (1) There must be a net creation of full-time permanent jobs in
35 Washington state by each business receiving tax preferences within two
36 years of receiving the tax preference.

1 (2) New jobs created will pay no less than the prevailing wage rate
2 for that industry or the county average wage, whichever is greater.

3 (3) Each business must provide employer-paid health benefits at no
4 less than the value of the state's basic health plan, dental coverage,
5 vacation and sick leave, and an ERISA-qualified retirement plan.

6 (4) The construction or installation of plant and equipment will be
7 done through local hire agreements, pay the prevailing wage rate, and
8 be covered by project labor agreements where applicable.

9 NEW SECTION. **Sec. 4.** The following information and data, on a
10 business specific basis, shall be reported annually to the department
11 and be made available for public disclosure:

12 (1) Each business must submit a statement explaining why it needs
13 the tax preference in order to create new jobs or to fulfill some other
14 public benefit that raises the living standards of Washington workers
15 or strengthens the Washington state economy;

16 (2) The number of net new jobs created annually in Washington state
17 as a result of receiving the tax preference broken down by full-time,
18 part-time, and temporary job categories;

19 (3) The wages of each new job reported in wage bands;

20 (4) A description of the amount and level of employer-provided
21 benefits including health and dental insurance, vacation and sick
22 leave, and retirement benefits;

23 (5) The businesses' employment level in states other than
24 Washington and their employment level outsourced to other countries;

25 (6) Each business must report the dollar value for each state tax
26 preference it receives over the previous four calendar quarters.

27 NEW SECTION. **Sec. 5.** Business tax preferences shall be subject to
28 the following qualifications:

29 (1) All business tax preferences shall clearly state the public
30 purpose and benefit for which they were created.

31 (2) All business tax preferences expire in five years or less,
32 except as provided in subsection (3) of this section.

33 (3) No individual business may receive a particular tax preference
34 for more than five years unless there are extraordinary circumstances
35 which detail a significant public benefit from extending the tax
36 preference to that business. If the legislature determines that a

1 significant public benefit is derived from the tax preference, it shall
2 amend the expiration date to extend the tax preference for up to five
3 more years.

4 (4) Any business that fails to meet the eligibility standards
5 established pursuant to section 4 of this act must immediately repay
6 the value of the tax preference to the department.

7 NEW SECTION. **Sec. 6.** The department will annually collect,
8 analyze, and make available to the legislature and the public,
9 information regarding business tax preferences in the following way:

10 (1) The department will create a tax preference disclosure form
11 which will capture, on a business specific basis, the information
12 specified in section 4 of this act and any other information the
13 department deems relevant to help analyze the effectiveness of the tax
14 preference.

15 (2) The department will disseminate the tax preference disclosure
16 form to all businesses applying for the tax preference. This form will
17 require each business to immediately submit a statement as described in
18 section 4(1) of this act and to complete the rest of the form and
19 return it to the department by July 1st of each year.

20 (3) The department will analyze this data and compile an annual
21 report to the legislature due the first week of each December. This
22 report will include at least the following information:

23 (a) The total annual dollar value of business tax preferences by
24 individual tax preference;

25 (b) The geographic and industrial distribution of business tax
26 preferences;

27 (c) A summary of the data in section 4 of this act;

28 (d) An analysis of whether goals of the tax preference are being
29 met.

30 (4) All information in the tax preference disclosure forms is
31 deemed not to be proprietary information and therefore shall be made
32 available to the general public by the department upon request.

33 NEW SECTION. **Sec. 7.** The department shall adopt rules to
34 implement this act.

35 NEW SECTION. **Sec. 8.** This act takes effect July 1, 2004.

1 NEW SECTION. **Sec. 9.** Sections 1 through 8 of this act constitute
2 a new chapter in Title 82 RCW.

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