

2 **EHB 2664** - S COMM AMD
3 By Committee on Ways & Means

4 ADOPTED 3/3/94

5 Strike everything after the enacting clause and insert the
6 following:

7 "Sec. 1. RCW 82.60.020 and 1993 sp.s. c 25 s 403 are each amended
8 to read as follows:

9 Unless the context clearly requires otherwise, the definitions in
10 this section apply throughout this chapter.

11 (1) "Applicant" means a person applying for a tax deferral under
12 this chapter.

13 (2) "Department" means the department of revenue.

14 (3) "Eligible area" means: (a) A county in which the average level
15 of unemployment for the three years before the year in which an
16 application is filed under this chapter exceeds the average state
17 unemployment for those years by twenty percent; (b) a metropolitan
18 statistical area, as defined by the office of federal statistical
19 policy and standards, United States department of commerce, in which
20 the average level of unemployment for the calendar year immediately
21 preceding the year in which an application is filed under this chapter
22 exceeds the average state unemployment for such calendar year by twenty
23 percent; ~~((or))~~ (c) a designated neighborhood reinvestment area
24 approved under RCW 43.63A.700; (d) subcounty areas within a city with
25 a population of less than twelve hundred persons in those counties that
26 are not covered under (a) of this subsection that are timber impact
27 areas as defined in RCW 43.31.601; or (e) counties where thirty percent
28 or more of total employment is federal department of defense related.

29 (4)(a) "Eligible investment project" means that portion of an
30 investment project which:

31 (i) Is directly utilized to create at least one new full-time
32 qualified employment position for each three hundred thousand dollars
33 of investment on which a deferral is requested in an application
34 approved before July 1, 1994, and for each one million dollars of
35 investment on which a deferral is requested in an application approved
36 after June 30, 1994; and

1 (ii) Either initiates a new operation, or expands or diversifies a
2 current operation by expanding, equipping, or renovating an existing
3 (~~building~~) facility with costs in excess of twenty-five percent of
4 the true and fair value of the (~~plant complex~~) facility prior to
5 improvement(~~;~~ or

6 ~~(iii) Acquires machinery and equipment to be used for either~~
7 ~~manufacturing or research and development if the machinery and~~
8 ~~equipment is housed in a new leased structure)).~~ The lessor/owner of
9 (~~the structure~~) a qualified building is not eligible for a deferral
10 unless the underlying ownership of the buildings, machinery, and
11 equipment vests exclusively in the same person, or unless the lessor by
12 written contract agrees to pass the economic benefit of the deferral to
13 the lessee in the form of reduced rent payments.

14 (b) "Eligible investment project" does not include any portion of
15 an investment project undertaken by a light and power business as
16 defined in RCW 82.16.010(5), other than cogeneration projects that are
17 both an integral part of a manufacturing facility and owned at least
18 fifty percent by the manufacturer, or investment projects which have
19 already received deferrals under this chapter.

20 (5) "Investment project" means an investment in qualified buildings
21 (~~and~~) or qualified machinery and equipment, including labor and
22 services rendered in the planning, installation, and construction of
23 the project.

24 (6) "Manufacturing" means all activities of a commercial or
25 industrial nature wherein labor or skill is applied, by hand or
26 machinery, to materials so that as a result thereof a new, different,
27 or useful substance or article of tangible personal property is
28 produced for sale or commercial or industrial use and shall include the
29 production or fabrication of specially made or custom made articles.
30 "Manufacturing" also includes computer programming, the production of
31 computer software, and other computer-related services, and the
32 activities performed by research and development laboratories and
33 commercial testing laboratories.

34 (7) "Person" has the meaning given in RCW 82.04.030.

35 (8) "Qualified buildings" means (~~new~~) structures used for
36 manufacturing and research and development activities, including plant
37 offices and warehouses or other facilities for the storage of raw
38 material or finished goods if such facilities are an essential or an
39 integral part of a factory, mill, plant, or laboratory used for

1 manufacturing or research and development. If a building is used
2 partly for manufacturing or research and development and partly for
3 other purposes, the applicable tax deferral shall be determined by
4 apportionment of the costs of construction under rules adopted by the
5 department.

6 (9) "Qualified employment position" means a permanent full-time
7 employee employed in the eligible investment project during the entire
8 tax year.

9 (10) "Qualified machinery and equipment" means all new industrial
10 and research fixtures, equipment, and support facilities that are an
11 integral and necessary part of a manufacturing or research and
12 development operation. "Qualified machinery and equipment" includes:
13 Computers; software; data processing equipment; laboratory equipment;
14 manufacturing components such as belts, pulleys, shafts, and moving
15 parts; molds, tools, and dies; operating structures; and all equipment
16 used to control or operate the machinery.

17 (11) "Recipient" means a person receiving a tax deferral under this
18 chapter.

19 (12) "Research and development" means the development, refinement,
20 testing, marketing, and commercialization of a product, service, or
21 process before commercial sales have begun. As used in this
22 subsection, "commercial sales" excludes sales of prototypes or sales
23 for market testing if the total gross receipts from such sales of the
24 product, service, or process do not exceed one million dollars.

25 **Sec. 2.** RCW 82.60.030 and 1985 c 232 s 3 are each amended to read
26 as follows:

27 Application for deferral of taxes under this chapter must be made
28 before July 1, 1997, and before initiation of the construction of the
29 investment project or acquisition of equipment or machinery. The
30 application shall be made to the department in a form and manner
31 prescribed by the department. The application shall contain
32 information regarding the location of the investment project, the
33 applicant's average employment in the state for the prior year,
34 estimated or actual new employment related to the project, estimated or
35 actual wages of employees related to the project, estimated or actual
36 costs, time schedules for completion and operation, and other
37 information required by the department. The department shall rule on
38 the application within sixty days.

1 **Sec. 3.** RCW 82.60.040 and 1986 c 116 s 13 are each amended to read
2 as follows:

3 (1) The department shall issue a sales and use tax deferral
4 certificate for state and local sales and use taxes due under chapters
5 82.08, 82.12, and 82.14 RCW on each eligible investment project that:

6 (a) Is located in an eligible area;

7 (b) Is located in any county if seventy-five percent of the new
8 qualified employment positions are to be filled by residents of a
9 contiguous county that qualifies as an eligible area; or

10 (c) Is located in a county containing a designated neighborhood
11 reinvestment area approved under RCW 43.63A.700 if seventy-five percent
12 of the new qualified employment positions are to be filled by residents
13 of the neighborhood reinvestment area.

14 (2) A recipient of a tax deferral under subsection (1) (b) or (c)
15 of this section shall maintain the required percentage of qualified
16 employment positions filled by residents of the contiguous county or
17 neighborhood reinvestment area for three calendar years after the date
18 on which the department certifies the investment project as having been
19 operationally completed.

20 (3) The department shall keep a running total of all deferrals
21 granted under this chapter during each fiscal biennium.

22 (4) No certificate may be issued unless the application is received
23 by July 1, 1997.

24 **Sec. 4.** RCW 82.60.050 and 1993 sp.s. c 25 s 404 are each amended
25 to read as follows:

26 RCW 82.60.030 and 82.60.040 shall expire July 1, (~~1998~~) 1997.

27 NEW SECTION. Sec. 5. This act shall take effect July 1, 1994."

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4 On page 1, line 2 of the title, after "areas;" strike the remainder
5 of the title and insert "amending RCW 82.60.020, 82.60.030, 82.60.040,
6 and 82.60.050; and providing an effective date."

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