

SENATE BILL REPORT

SB 5854

**AS REPORTED BY COMMITTEE ON TRADE, TECHNOLOGY & ECONOMIC
DEVELOPMENT, MARCH 2, 1993**

Brief Description: Redefining eligible areas for business projects qualifying for tax credits.

SPONSORS: Senators Quigley, Drew, Hargrove, Owen and Haugen

SENATE COMMITTEE ON TRADE, TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5854 be substituted therefor, and the substitute bill do pass.

Signed by Senators Skratek, Chairman; Sheldon, Vice Chairman; Bluechel, Deccio, Erwin, M. Rasmussen, and Williams.

Staff: Jack Brummel (786-7428)

Hearing Dates: March 2, 1993

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715)

Hearing Dates: March 5, 1993

BACKGROUND:

The Department of Revenue administers a business and occupation tax credit program which allows businesses in eligible distressed areas to receive a \$1,000 credit per new person hired when the total number of new hires makes the total number of employees at least 15 percent higher than the previous years. Eligible areas are counties or urban areas where the average unemployment exceeds the statewide average by 20 percent. The narrow definition of eligible distressed areas has prevented sub-county timber impact areas and other areas facing unexpected economic downturns from qualifying for the tax credit.

SUMMARY:

The definition of an eligible area for the B&O tax credit program is expanded to include timber impact areas and areas which the Department of Revenue expects will experience distress in the near future, such as areas experiencing defense budget reductions or suffering dislocations from downturns in natural resource-based industries.

The 1994 termination date of the tax credit program is removed.

EFFECT OF PROPOSED SUBSTITUTE:

The distressed area sales tax deferral program is subject to the sunset review process prior to termination in 1994.

Appropriation: none

Revenue: none

Fiscal Note: requested March 1, 1993

TESTIMONY FOR (Trade, Technology & Economic Development):

Counties that aren't distressed and don't qualify for this program may have timber impact areas that could benefit from it. There needs to be greater flexibility for this tax credit.

TESTIMONY AGAINST (Trade, Technology & Economic Development): None

TESTIFIED (Trade, Technology & Economic Development): Senator Quigley, prime sponsor (pro)

TESTIMONY FOR (Ways & Means): None

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): No one