

2 **2SSB 5740** - H COMM AMD 757
3 By Representative Buck

4

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

7

"PART I

8

LEGISLATIVE INTENT

9

NEW SECTION. **Sec. 1.** LEGISLATIVE RECOGNITION AND INTENT. The

10 legislature recognizes the economic hardship that rural distressed
11 areas throughout the state have undergone in recent years. Numerous
12 rural distressed areas across the state have encountered serious
13 economic downturns resulting in significant job loss and business
14 failure. In 1991 the legislature enacted two major pieces of
15 legislation to promote economic development and job creation, with
16 particular emphasis on worker training, income, and emergency services
17 support, along with community revitalization through planning services
18 and infrastructure assistance. However even though these programs have
19 been of assistance, rural distressed areas still face serious economic
20 problems including: Above-average unemployment rates from job losses
21 and below-average employment growth; low rate of business start-ups;
22 and persistent erosion of vitally important resource-driven industries.

23 The legislature also recognizes that rural distressed areas in
24 Washington have an abiding ability and consistent will to overcome
25 these economic obstacles by building upon their historic foundations of
26 business enterprise, local leadership, and outstanding work ethic.

27 The legislature intends to assist rural distressed areas in their
28 ongoing efforts to address these difficult economic problems by
29 providing a comprehensive and significant array of economic tools,
30 necessary to harness the persistent and undaunted spirit of enterprise
31 that resides in the citizens of rural distressed areas throughout the
32 state.

33 The further intent of this act is to provide:

34 (1) A strategically designed plan of assistance, emphasizing state,
35 local, and private sector leadership and partnership;

1 (2) A comprehensive and significant array of business assistance,
2 services, and tax incentives that are accountable and performance
3 driven;

4 (3) An array of community assistance including infrastructure
5 development and business retention, attraction, and expansion programs
6 that will provide a competitive advantage to rural distressed areas
7 throughout Washington; and

8 (4) Regulatory relief to reduce and streamline zoning, permitting,
9 and regulatory requirements in order to enhance the capability of
10 businesses to grow and prosper in rural distressed areas.

11 NEW SECTION. **Sec. 2.** GOALS. The primary goals of chapter . . . ,
12 Laws of 1997 (this act) are to:

13 (1) Promote the ongoing operation of business in rural distressed
14 areas;

15 (2) Promote the expansion of existing businesses in rural
16 distressed areas;

17 (3) Attract new businesses to rural distressed areas;

18 (4) Assist in the development of new businesses from within rural
19 distressed areas;

20 (5) Provide family wage jobs to the citizens of rural distressed
21 areas; and

22 (6) Promote the development of communities of excellence in rural
23 distressed areas.

24 **PART II**
25 **TAX INCENTIVES**

26 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.14 RCW
27 to read as follows:

28 (1) The legislative authority of a distressed county may impose a
29 sales and use tax in accordance with the terms of this chapter. The
30 tax is in addition to other taxes authorized by law and shall be
31 collected from those persons who are taxable by the state under
32 chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event
33 within the county. The rate of tax shall not exceed 0.04 percent of
34 the selling price in the case of a sales tax or value of the article
35 used in the case of a use tax.

1 (2) The tax imposed under subsection (1) of this section shall be
2 deducted from the amount of tax otherwise required to be collected or
3 paid over to the department of revenue under chapter 82.08 or 82.12
4 RCW. The department of revenue shall perform the collection of such
5 taxes on behalf of the county at no cost to the county.

6 (3) Moneys collected under this section shall only be used for the
7 purpose of financing public facilities in rural counties.

8 (4) No tax may be collected under this section before July 1, 1998.
9 No tax may be collected under this section by a county more than
10 twenty-five years after the date that a tax is first imposed under this
11 section.

12 (5) For purposes of this section, "distressed county" means a
13 county in which the average level of unemployment for the three years
14 before the year in which a tax is first imposed under this section
15 exceeds the average state employment for those years by twenty percent.

16 **Sec. 4.** RCW 82.62.010 and 1996 c 290 s 5 are each amended to read
17 as follows:

18 Unless the context clearly requires otherwise, the definitions in
19 this section apply throughout this chapter.

20 (1) "Applicant" means a person applying for a tax credit under this
21 chapter.

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

23 (3) "Eligible area" means: (a) A county in which the average level
24 of unemployment for the three years before the year in which an
25 application is filed under this chapter exceeds the average state
26 unemployment for those years by twenty percent; (b) a county that has
27 a median household income that is less than seventy-five percent of the
28 state median household income for the previous three years; (c) a
29 metropolitan statistical area, as defined by the office of federal
30 statistical policy and standards, United States department of commerce,
31 in which the average level of unemployment for the calendar year
32 immediately preceding the year in which an application is filed under
33 this chapter exceeds the average state unemployment for such calendar
34 year by twenty percent; (d) a designated community empowerment zone
35 approved under RCW 43.63A.700; or (e) subcounty areas in those counties
36 that are not covered under (a) of this subsection that are timber
37 impact areas as defined in RCW 43.31.601.

1 (4)(a) "Eligible business project" means manufacturing or research
2 and development activities which are conducted by an applicant in an
3 eligible area at a specific facility, provided the applicant's average
4 full-time qualified employment positions at the specific facility will
5 be (~~at least fifteen percent~~) greater in the year for which the
6 credit is being sought than the applicant's average full-time qualified
7 employment positions at the same facility in the immediately preceding
8 year.

9 (b) "Eligible business project" does not include any portion of a
10 business project undertaken by a light and power business as defined in
11 RCW 82.16.010(5) or that portion of a business project creating
12 qualified full-time employment positions outside an eligible area or
13 those recipients of a sales tax deferral under chapter 82.61 RCW.

14 (5) "Manufacturing" means all activities of a commercial or
15 industrial nature wherein labor or skill is applied, by hand or
16 machinery, to materials so that as a result thereof a new, different,
17 or useful substance or article of tangible personal property is
18 produced for sale or commercial or industrial use and shall include the
19 production or fabrication of specially made or custom made articles.
20 "Manufacturing" also includes computer programming, the production of
21 computer software, and other computer-related services, and the
22 activities performed by research and development laboratories and
23 commercial testing laboratories.

24 (6) "Person" has the meaning given in RCW 82.04.030.

25 (7) "Qualified employment position" means a permanent full-time
26 employee employed in the eligible business project during the entire
27 tax year.

28 (8) "Tax year" means the calendar year in which taxes are due.

29 (9) "Recipient" means a person receiving tax credits under this
30 chapter.

31 (10) "Research and development" means the development, refinement,
32 testing, marketing, and commercialization of a product, service, or
33 process before commercial sales have begun. As used in this
34 subsection, "commercial sales" excludes sales of prototypes or sales
35 for market testing if the total gross receipts from such sales of the
36 product, service, or process do not exceed one million dollars.

37 **Sec. 5.** RCW 82.62.030 and 1996 c 1 s 3 are each amended to read as
38 follows:

1 (1) A person shall be allowed a credit against the tax due under
2 chapter 82.04 RCW as provided in this section. For an application
3 approved before January 1, 1996, the credit shall equal one thousand
4 dollars for each qualified employment position directly created in an
5 eligible business project. For an application approved on or after
6 January 1, 1996, the credit shall equal two thousand dollars for each
7 qualified employment position directly created in an eligible business
8 project. For an application approved on or after July 1, 1997, the
9 credit shall equal four thousand dollars for each qualified employment
10 position with wages and benefits greater than forty thousand dollars
11 annually that is directly created in an eligible business. For an
12 application approved on or after July 1, 1997, the credit shall equal
13 two thousand dollars for each qualified employment position with wages
14 and benefits less than or equal to forty thousand dollars annually that
15 is directly created in an eligible business.

16 (2) The department shall keep a running total of all credits
17 granted under this chapter during each fiscal ~~((biennium))~~ year. The
18 department shall not allow any credits which would cause the tabulation
19 ~~((for a biennium))~~ to exceed ~~((fifteen))~~ five million five hundred
20 thousand dollars in fiscal year 1998 or 1999 or seven million five
21 hundred thousand dollars in any fiscal year thereafter. If all or part
22 of an application for credit is disallowed under this subsection, the
23 disallowed portion shall be carried over for approval the next
24 ~~((biennium))~~ fiscal year. However, the applicant's carryover into the
25 next ~~((biennium))~~ fiscal year is only permitted if the tabulation for
26 the next ~~((biennium))~~ fiscal year does not exceed ~~((fifteen million~~
27 ~~dollars))~~ the cap for that fiscal year as of the date on which the
28 department has disallowed the application.

29 ~~((3))~~ ~~((No recipient is eligible for tax credits in excess of three~~
30 ~~hundred thousand dollars.~~

31 ~~((4))~~ No recipient may use the tax credits to decertify a union or
32 to displace existing jobs in any community in the state.

33 ~~((+5))~~ (4) No recipient may receive a tax credit on taxes which
34 have not been paid during the taxable year.

35 **Sec. 6.** RCW 67.28.210 and 1996 c 159 s 4 are each amended to read
36 as follows:

37 All taxes levied and collected under RCW 67.28.180, 67.28.240, and
38 67.28.260 shall be credited to a special fund in the treasury of the

1 county or city imposing such tax. Such taxes shall be levied only for
2 the purpose of paying all or any part of the cost of acquisition,
3 construction, or operating of stadium facilities, convention center
4 facilities, performing arts center facilities, and/or visual arts
5 center facilities or to pay or secure the payment of all or any portion
6 of general obligation bonds or revenue bonds issued for such purpose or
7 purposes under this chapter, or to pay for advertising, publicizing, or
8 otherwise distributing information for the purpose of attracting
9 visitors and encouraging tourist expansion when a county or city has
10 imposed such tax for such purpose, or as one of the purposes hereunder,
11 and until withdrawn for use, the moneys accumulated in such fund or
12 funds may be invested in interest bearing securities by the county or
13 city treasurer in any manner authorized by law. In addition such taxes
14 may be used to develop strategies to expand tourism: PROVIDED, That
15 any county, and any city within a county, bordering upon Grays Harbor
16 may use the proceeds of such taxes for construction and maintenance of
17 a movable tall ships tourist attraction in cooperation with a tall
18 ships restoration society, except to the extent that such proceeds are
19 used for payment of principal and interest on debt incurred prior to
20 June 11, 1986: PROVIDED FURTHER, That any city or county may use the
21 proceeds of such taxes for the refurbishing and operation of a steam
22 railway or historic maritime vessels used primarily for passenger
23 transportation for tourism promotion purposes: PROVIDED FURTHER, That
24 any city bordering on the Pacific Ocean or on Baker Bay with a
25 population of not less than eight hundred and the county in which such
26 a city is located, a city bordering on the Skagit river with a
27 population of not less than twenty thousand, or any city within a
28 county made up entirely of islands may use the proceeds of such taxes
29 for funding special events or festivals, or for the acquisition,
30 construction, or operation of publicly owned tourist promotional
31 infrastructures, structures, or buildings including but not limited to
32 an ocean beach boardwalk, public docks, and viewing towers: PROVIDED
33 FURTHER, That any county which imposes a tax under RCW 67.28.182 or any
34 city with a population less than fifty thousand in such county may use
35 the proceeds of the tax levied and collected under RCW 67.28.180 to
36 provide public restroom facilities available to and intended for use by
37 visitors: PROVIDED FURTHER, That any county made up entirely of
38 islands, ~~((and))~~ any city or town that has a population less than five
39 thousand, and any county that is a rural distressed area as defined

1 under RCW 43.31.601 or any city within that county, may use the
2 proceeds of the tax levied and collected under RCW 67.28.180 to provide
3 public restroom facilities, parking facilities, or public lighting
4 including sport field lighting that is available to and intended for
5 use by visitors: PROVIDED FURTHER, That any city or county may use the
6 proceeds of such taxes for funding a civic festival, if the following
7 conditions are met: The festival is a community-wide event held not
8 more than once annually; the festival is approved by the city, town, or
9 county in which it is held; the festival is sponsored by an exempt
10 organization defined in section 501(c)(3), (4), or (6) of the federal
11 internal revenue code; the festival provides family-oriented events
12 suiting a broad segment of the community; and the proceeds of such
13 taxes are used solely for advertising and promotional materials
14 intended to attract overnight visitors: PROVIDED FURTHER, That any
15 city may use the proceeds of such taxes for street banners to attract
16 and welcome tourists.

17 NEW SECTION. **Sec. 7.** RCW 82.62.040 and 1993 sp.s. c 25 s 411,
18 1988 c 41 s 4, & 1986 c 116 s 22 are each repealed.

19 **PART III**

20 **BUSINESS ASSISTANCE**

21 NEW SECTION. **Sec. 8.** BUSINESS ASSISTANCE AND RECRUITMENT FOR
22 RURAL DISTRESSED AREAS. The department of community, trade, and
23 economic development is directed to emphasize business assistance and
24 recruitment for rural distressed areas within its trade and economic
25 sectors, and local development assistance. The primary goal of the
26 rural initiative is to coordinate and administer a comprehensive and
27 effective set of business assistance programs and services including:

28 (1) Business recruitment. The department of community, trade, and
29 economic development shall: Provide a comprehensive and aggressive
30 program to attract viable businesses to rural distressed areas; work
31 with local communities to identify select industry sectors that have a
32 competitive advantage in specific rural distressed areas; collaborate
33 with state and local officials to modify their infrastructure plans and
34 priorities to facilitate business growth; and assist rural distressed
35 areas in developing strategic business recruitment plans.

1 (2) Business permitting and zoning one-stop shop. The department
2 of community, trade, and economic development shall: Provide a
3 streamlined and customer driven siting service to businesses in order
4 to promote their attraction and expansion in rural distressed areas;
5 provide preliminary permit application and zoning information and
6 services for businesses in order to attract firms and facilitate
7 business growth in rural distressed areas.

8 (3) Business regulatory assistance and ombudsman services. The
9 department of community, trade, and economic development shall:
10 Provide comprehensive business regulatory services to assist businesses
11 in addressing and responding to local, state, and federal regulations;
12 and provide recommendations on streamlining and modifying government
13 regulations.

14 (a) The department of community, trade, and economic development is
15 authorized to review state zoning, permitting, or regulatory
16 requirements that pose difficulty for businesses wishing or likely to
17 site in a rural enterprise area. In situations where the department of
18 community, trade, and economic development considers the zoning,
19 permitting, or regulatory requirements placed on a business in a rural
20 enterprise area unfairly burdensome the director may petition the
21 regulatory agency or agencies for regulatory relief. In addition the
22 director may petition the agency or agencies for relief under the
23 regulatory fairness act, chapter 19.85 RCW.

24 (b) In situations where a business or entity in a rural enterprise
25 area is encountering regulatory oversight from more than one state
26 agency and is experiencing conflicting direction or confusing process,
27 the business or entity may petition the director to intercede. The
28 director upon review of the circumstances involved is authorized to
29 designate a lead agency to collaborate with other state agencies in
30 order to streamline and reduce the regulatory difficulties.

31 (c) Businesses or entities in a rural enterprise zone may petition
32 the director for an accelerated zoning, permitting, or regulatory
33 process. The director upon reviewing the petition and the
34 circumstances involved may make a finding of regulatory unfairness and
35 may direct the state agency or agencies to process the business or
36 entities application in an expeditious manner with a maximum timeline
37 of six months from the director's receipt of the petition.

38 The director shall establish a pilot process in cooperation with
39 other state agencies to implement this subsection (3) during 1997 and

1 1998 and report annually to the legislature on the impact of the
2 program.

3 (4) "Brown Fields" Program. The department of community, trade,
4 and economic development shall develop with the department of ecology
5 and recommend to the legislature a streamlined and cost-effective
6 process to redevelop hazardous industrial sites in order to promote
7 business growth in rural distressed areas.

8 (5) Rural enterprise zone development and foreign trade zone. The
9 department of community, trade, and economic development is authorized
10 to provide technical assistance to local governments in rural
11 distressed areas to establish rural enterprise zones and foreign trade
12 zones. The department of community, trade, and economic development
13 shall target rural enterprise zones and foreign trade zones in the
14 delivery of its services in order to maximize the impact of its
15 economic development assistance to businesses and rural distressed
16 areas.

17 NEW SECTION. **Sec. 9.** RURAL INITIATIVE ADMINISTRATION. The rural
18 initiative shall be administered by a director appointed by the
19 director of community, trade, and economic development, in consultation
20 with the rural distressed areas economic recovery coordination board.
21 The rural initiative director shall coordinate activities with the
22 rural community assistance team and report on the activities and
23 performance of the rural initiative to the legislature on a quarterly
24 basis.

25 **PART IV**

26 **RURAL ENTERPRISE ZONES**

27 NEW SECTION. **Sec. 10.** A new section is added to chapter 43.63A
28 RCW to read as follows:

29 RURAL ENTERPRISE ZONES. The legislature recognizes the unique
30 difficulties encountered by communities in rural distressed areas
31 wishing to promote business development, increase employment
32 opportunities, and provide a high quality of life for its citizens. In
33 response the legislature authorizes the establishment of rural
34 enterprise zones that will allow the targeting of state services and
35 resources in the form of business, industry recruitment, regulatory
36 relief, and infrastructure development. It is the intent of the

1 legislature to provide the critical level of resources and services to
2 businesses and entities located in these rural enterprise zones that
3 they will be the catalyst for economic prosperity and diversity
4 throughout rural distressed areas in Washington.

5 (1) The department in cooperation with the department of revenue
6 and other state agencies shall approve applications submitted by local
7 governments in rural distressed areas. The application shall be in the
8 form and manner and contain the necessary information designated by the
9 department. The application shall:

10 (a) Be submitted on behalf of the local government by the chief
11 elected official or, if none, by the governing body of the local
12 government;

13 (b) Outline the purpose for the economic development enterprise
14 zone and the process in which the application was developed;

15 (c) Demonstrate the level of government and community support for
16 the enterprise zone;

17 (d) Outline the manner in which the enterprise zone will be
18 governed and report its activities to the local government and the
19 department; and

20 (e) Designate the geographic area in which the rural enterprise
21 zone will exist.

22 (2) Rural enterprise zones are authorized to:

23 (a) Hire a director or designate an individual to oversee
24 operations;

25 (b) Seek federal, state, and local government support in its
26 efforts to target, develop, and attract viable businesses;

27 (c) Work with the office of business assistance and recruitment for
28 rural distressed areas in the pursuit of its economic development
29 activities;

30 (d) Provide a local one-stop shop for businesses intending to
31 locate, retain, expand, or start their businesses within its zone; and

32 (e) Provide comprehensive permitting, zoning, and regulatory
33 assistance to businesses or entities within the zone.

34 (3) Rural enterprise zones are authorized to receive the services
35 and funding resources as provided under the rural area marketing plan
36 and other resources assisting rural distressed areas.

37 (4) Rural enterprise zones may be established in conjunction with
38 a foreign trade zone.

