

# HOUSE BILL REPORT

## HB 1305

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### As Reported By House Committee On:

Trade & Economic Development

**Title:** An act relating to tax credit for job creation in distressed areas.

**Brief Description:** Increasing availability of tax credits for job creation in distressed areas.

**Sponsors:** Representatives Sheldon, Buck, Morris, Pennington, DeBolt, Gardner, Johnson, Dunshee, Honeyford, Skinner, Linville, Kessler, Grant, Schoesler, Doumit, Hatfield, Wood, Tokuda, Scott, Veloria, Boldt, Mason, Costa and Dunn.

### Brief History:

#### Committee Activity:

Trade & Economic Development: 2/5/97, 2/27/97 [DP].

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## HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass. Signed by 9 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Veloria, Ranking Minority Member; Sheldon, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason; McDonald and Morris.

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

**Background:** The Business and Occupation (B&O) Tax Jobs Credit program was created in 1986 as an incentive for manufacturing, research and development, and computer-related service businesses to create employment opportunities in economically distressed communities. Businesses in eligible areas that create a new work force or increase an existing work force by 15 percent are allowed a B&O tax credit equal to \$1,000 for each new full-time employment position. In 1996, the Legislature increased the amount of the credit to \$2,000 for applications approved on or after January 1, 1996. The business must apply for the credit prior to hiring the new positions.

No more than \$15 million in total credits against the state B&O tax are allowed per biennium. No single business may receive more than \$300,000 in credits over the life of the program. Business firms with insufficient B&O tax liability, may carry forward the unused tax credits to succeeding years.

**Summary of Bill:** The Business and Occupation (B&O) Jobs Tax Credit program requirement that a business must increase its existing work force by 15 percent to claim a tax credit is replaced with a requirement that there is a net increase in employment over the previous year. The single business limitation of \$300,000 in credits over the life of the program is changed to \$300,000 per taxable year.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This change will make the tax credit program more meaningful to businesses in distressed areas. Not all businesses can immediately increase their existing work force by 15 percent. This will allow the business that has a net increase in jobs over the previous year to claim the credit for that job. This change makes sense.

**Testimony Against:** None.

**Testified:** Representative Sheldon, prime sponsor (pro); and Bill Lotto, Lewis County Economic Development Council (pro).