HOUSE BILL REPORT
HB 2975

As Reported By House Committee On:
Trade & Economic Development

Title: An act relating to tax incentives for the development of job opportunities in distressed counties.

Brief Description: Providing tax incentives for the development of job opportunities in distressed counties.

Sponsors: Representatives Alexander, Pennington, Van Luven, Mulliken, Hatfield, Morris, Doumit, Eickmeyer, Kessler, Linville, Conway, Anderson and Gardner.

Brief History:
Committee Activity:
Trade & Economic Development: 2/4/98, 2/5/98 [DP].

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; Eickmeyer, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason; McDonald and Morris.

Staff: Kenny Pittman (786-7392).

Background: The state of Washington has developed various incentives that are designed to assist in job creation or retention in economically distressed areas. The incentives available to businesses located in distressed areas include a sales and use tax exemption on equipment purchases and building construction, a tax credit for employee training, and a tax credit for job creation. A distressed area is a geographic area characterized by high unemployment rates, low median household income levels, or substantial job loss in major industries.

Starting in July 1, 1998, counties with an average unemployment rate 20 percent higher than the state average unemployment rate for the prior three-year period may impose a sales and use tax of 0.04 percent. This tax is credited against the state sales and use tax. The revenues must be used for financing public facilities in distressed counties.

Summary of Bill: The distressed county sales and use tax for public facilities is increased from 0.04 percent to 0.12 percent. The use of the money is restricted to public facilities listed in the economic development section of the county's comprehensive plan. For counties not planning under the growth management act the public facilities must be listed in the county's capital facilities plan. Public facilities includes bridges, roads, domestic and industrial water, sanitary sewer, storm sewer, railroad, electricity, natural gas, buildings or structures, and port facilities.

The Joint Legislative Audit and Review Committee (JLARC) is required to review and study this program and report to the Legislature in January 2002.

Appropriation: None.

Fiscal Note: Requested on January 28, 1998.

Effective Date: The bill takes effect on July 1, 1998.

Testimony For: The availability of infrastructure is vital to all economic development efforts. Distressed counties will now have a source of revenue to finance needed infrastructure to support business development and expansion in the area.

Testimony Against: None.

Testified: Representative Skinner (pro); Scott Taylor, Washington Public Ports Association (pro); Bill Lotto, Lewis County Economic Development Council (pro); Judy DeVaul, DeVaul Publishing Inc. (pro); Kyle Heaton (pro); Ted Sprague (pro); and Ron Rosenbloom, Association of Washington Cities (pro - with technical concerns).