

FINAL BILL REPORT

E2SHB 2342

C 313 L 98

Synopsis as Enacted

Brief Description: Providing tax exemptions for businesses in community empowerment zones that provide selected international services.

Sponsors: By House Committee on Trade & Economic Development (originally sponsored by Representatives Van Luven, McDonald, Regala, Talcott, Huff, Conway, Lantz, Fisher, Gardner, Anderson, Lambert and Boldt).

House Committee on Trade & Economic Development

House Committee on Finance

Senate Committee on Ways & Means

Background: The Community Empowerment Zone program was created in 1993 to target the combined efforts and resources of the public and private sector in a partnership designed to create an environment in which reinvestment can occur. The Department of Community, Trade, and Economic Development was authorized to designate up to six areas for participation in the program by March 1, 1994. A community empowerment zone is a geographic area that is characterized as having high unemployment rates and a preponderance of low-income households. The areas that contain designated community empowerment zones are the cities of Yakima, Seattle, Tacoma, Bremerton, and White Center in King County.

Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. Businesses are taxable according to the activities they engage in and therefore may be subject to more than one tax rate.

Washington imposes an insurance premiums tax on authorized insurers. The insurance premiums tax is in lieu of a B&O tax. The tax is based on 2 percent of the net premiums received by authorized insurers, except title insurers and fraternal benefit societies, after deduction of premiums that are returned to policyholders.

Summary: A credit is provided against either the business and occupation (B&O) tax or the insurance premiums tax that is equal to \$3,000 per year for a five-year period for each net new job created after July 1, 1998.

To be eligible for the tax credit the business must be engaged in providing international services and either be located in a designated community empowerment zone or be a contiguous group of census tracts meeting the unemployment and poverty

criteria of a community empowerment zone and located in a city or contiguous group of cities with a population greater than 80,000 that is in a county that does not have a community empowerment zone.

A business may not claim the credit for hiring an employee for a position that existed before July 1, 1998. The business may accrue and carry forward credits until used. No refunds may be granted for unused credits.

A business is subject to a penalty in the amount of the tax credit and interest if the person is not eligible for the credit. The interest on the tax credit is assessed retroactively to the date the tax credit was taken and accrues until the taxes are repaid in full.

"International services" means the provision of a service that is for a person outside the United States or is for use primarily outside the United States. These services include computer services, data processing services, information services, legal services, accounting and tax preparation services, engineering services, architectural services, business consulting services, business management services, public relations and advertising services, surveying services, geological consulting services, real estate appraisal services, and financial services.

Votes on Final Passage:

House 95 1
Senate 42 0 (Senate amended)
House (House refused to concur)
Senate (Senate refused to recede)
House 75 23 (House concurred)

Effective: July 1, 1998