

SENATE BILL REPORT

E2SHB 2342

As Reported By Senate Committee On:
Ways & Means, March 10, 1998

Title: An act relating to international services.

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

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

Brief History:

Committee Activity: Ways & Means: 3/10/98 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Hochstatter, Kohl, Long, McDonald, Roach, Rossi, Schow, B. Sheldon, Swecker, Thibaudeau and Winsley.

Staff: David Schumacher (786-7474)

Background: The Community Empowerment Zone (CEZ) program was created in 1993 to target the combined resources of the public and private sector in a partnership 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 existing jurisdictions 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.

The state of Washington imposes an insurance premiums tax on authorized insurers. The insurance premiums tax is in lieu of a business and occupation 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 of Amended Bill: A \$3,000 B&O or insurance premium tax credit is allowed per new international services job created in a community empowerment zone (CEZ) or located in a city with a population of over 80,000 in certain counties. This would currently make the cities of Vancouver, Spokane, and Everett eligible in addition to the five CEZs.

Amended Bill Compared to Original Bill: The original bill provided a credit against the B&O or insurance premiums tax equal to 5 percent of the wages of new employees located in a CEZ and providing international services.

In addition, the company receiving the credit was required to meet a number of eligibility standards including hiring 25 percent of the employees from within the CEZ, providing internships, summer employment, etc.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 1999.

Testimony For: None.

Testimony Against: None.

Testified: No one.