

# SENATE BILL REPORT

## SSB 5424

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As Reported By Senate Committee On:  
Ways & Means, February 5, 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:** Senate Committee on Ways & Means (originally sponsored by Senators West, Wojahn, Winsley, Hale, Franklin, Jacobsen and Rasmussen).

**Brief History:**

**Committee Activity:** Ways & Means: 3/6/97, 4/7/97 [DPS]; 1/21/98, 2/5/98 [DP2S].  
Passed Senate, 4/14/97, 42-5.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5424 be substituted therefor, and the second substitute bill do pass.

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

**Staff:** David Schumacher (786-7474)

**Background:** Community Empowerment Zones (CEZ) are defined as areas that are designated to receive federal, state, or local assistance to increase economic activity, have high unemployment rates, and have a preponderance of low-income households. The existing CEZs are Yakima, Seattle, Tacoma, Bremerton, and White Center in King County.

The business and occupation tax (B&O) is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities (except utility activities) conducted within the state.

The 2 percent insurance premiums tax is paid in lieu of the business and occupation tax on the net premiums received by authorized insurers.

**Summary of Second Substitute Bill:** A credit is provided against either the B&O tax or the insurance premiums tax equal to 5 percent of the qualified payroll plus 5 percent of the qualified support service expenses for businesses involved in international services that locate in "distressed communities."

"Distressed communities" are defined as either a community empowerment zone (CEZ) or a census tract within a city with a population of at least 50,000, that meets certain unemployment and poverty standards.

Businesses are required to reapply for the credit every five years.

**Second Substitute Bill Compared to Substitute Bill:** The substitute expanded the credit to include businesses located in the census tracts, it included the "qualified support expenses," and limited the credit to five years before reapplication.

The substitute removed the requirements that 20 percent of the value of the credit must be spent on training, that internships must be provided and that 20 percent of the employees must live within the CEZ.

**Appropriation:** None.

**Fiscal Note:** Available

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

**Testimony For:** This bill gives Tacoma and the rest of the state the opportunity to attract businesses in the international services industry. The city of Dublin, Ireland is a model for what can be accomplished by attracting these companies. This can be a piece of a economic redevelopment plan for the city of Tacoma.

**Testimony Against:** None.

**Testified:** PRO: Kevin Phelps, Landmark Convention Center; Connie Bacon, Port of Tacoma; Ian MacGowan, Kaiser; Shirl Gilbert, Tacoma Empowerment Zone; Warren Thompson, Frank Russell Co; Don Meyer, Port of Tacoma; Kari Frank, Puyallup Tribe.