

SENATE BILL REPORT

SB 5424

As Reported By Senate Committee On:
Ways & Means, April 7, 1997

Title: An act relating to international services.

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

Sponsors: Senators West, Wojahn, Winsley, Hale, Franklin, Jacobsen and Rasmussen.

Brief History:

Committee Activity: Ways & Means: 3/6/97, 4/7/97 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

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

Signed by Senators West, Chair; Strannigan, Vice Chair; Bauer, Hochstatter, Kohl, Roach, Rossi, Schow, Sheldon, Snyder, Swecker 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 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 for businesses that meet the following criteria:

- 1) Located in a designated community empowerment zone.
- 2) Engaged in providing selected international services.
- 3) Expend 20 percent of the value of the credit on training.
- 4) Provide internship positions.
- 5) Hire 20 percent of employees from within the CEZ.

Substitute Bill Compared to Original Bill: The substitute narrows the definition of eligible businesses.

Appropriation: None.

Fiscal Note: Available

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

Testimony For: The city of Tacoma is trying to attract international service sector jobs. Their plan is based on the success of the city of Dublin which has already implemented a similar plan.

Testimony Against: None.

Testified: Randy Lewis, City of Tacoma (pro).