
HOUSE BILL 1305

State of Washington

55th Legislature

1997 Regular Session

By Representatives Sheldon, Buck, Morris, Pennington, DeBolt, Gardner, Johnson, Dunshee, Honeyford, Skinner, Linville, Kessler, Grant, Schoesler, Doumit, Hatfield, Wood, Tokuda, Scott, Veloria, Boldt, Mason, Costa and Dunn

Read first time 01/21/97. Referred to Committee on Trade & Economic Development.

1 AN ACT Relating to tax credit for job creation in distressed areas;
2 and amending RCW 82.62.010 and 82.62.030.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 82.62.010 and 1996 c 290 s 5 are each amended to read
5 as follows:

6 Unless the context clearly requires otherwise, the definitions in
7 this section apply throughout this chapter.

8 (1) "Applicant" means a person applying for a tax credit under this
9 chapter.

10 (2) "Department" means the department of revenue.

11 (3) "Eligible area" means: (a) A county in which the average level
12 of unemployment for the three years before the year in which an
13 application is filed under this chapter exceeds the average state
14 unemployment for those years by twenty percent; (b) a county that has
15 a median household income that is less than seventy-five percent of the
16 state median household income for the previous three years; (c) a
17 metropolitan statistical area, as defined by the office of federal
18 statistical policy and standards, United States department of commerce,
19 in which the average level of unemployment for the calendar year

1 immediately preceding the year in which an application is filed under
2 this chapter exceeds the average state unemployment for such calendar
3 year by twenty percent; (d) a designated community empowerment zone
4 approved under RCW 43.63A.700; or (e) subcounty areas in those counties
5 that are not covered under (a) of this subsection that are timber
6 impact areas as defined in RCW 43.31.601.

7 (4)(a) "Eligible business project" means manufacturing or research
8 and development activities which are conducted by an applicant in an
9 eligible area at a specific facility, provided the applicant's average
10 full-time qualified employment positions at the specific facility will
11 be (~~at least fifteen percent~~) greater in the year for which the
12 credit is being sought than the applicant's average full-time qualified
13 employment positions at the same facility in the immediately preceding
14 year.

15 (b) "Eligible business project" does not include any portion of a
16 business project undertaken by a light and power business as defined in
17 RCW 82.16.010(5) or that portion of a business project creating
18 qualified full-time employment positions outside an eligible area or
19 those recipients of a sales tax deferral under chapter 82.61 RCW.

20 (5) "Manufacturing" means all activities of a commercial or
21 industrial nature wherein labor or skill is applied, by hand or
22 machinery, to materials so that as a result thereof a new, different,
23 or useful substance or article of tangible personal property is
24 produced for sale or commercial or industrial use and shall include the
25 production or fabrication of specially made or custom made articles.
26 "Manufacturing" also includes computer programming, the production of
27 computer software, and other computer-related services, and the
28 activities performed by research and development laboratories and
29 commercial testing laboratories.

30 (6) "Person" has the meaning given in RCW 82.04.030.

31 (7) "Qualified employment position" means a permanent full-time
32 employee employed in the eligible business project during the entire
33 tax year.

34 (8) "Tax year" means the calendar year in which taxes are due.

35 (9) "Recipient" means a person receiving tax credits under this
36 chapter.

37 (10) "Research and development" means the development, refinement,
38 testing, marketing, and commercialization of a product, service, or
39 process before commercial sales have begun. As used in this

1 subsection, "commercial sales" excludes sales of prototypes or sales
2 for market testing if the total gross receipts from such sales of the
3 product, service, or process do not exceed one million dollars.

4 **Sec. 2.** RCW 82.62.030 and 1996 c 1 s 3 are each amended to read as
5 follows:

6 (1) A person shall be allowed a credit against the tax due under
7 chapter 82.04 RCW as provided in this section. For an application
8 approved before January 1, 1996, the credit shall equal one thousand
9 dollars for each qualified employment position directly created in an
10 eligible business project. For an application approved on or after
11 January 1, 1996, the credit shall equal two thousand dollars for each
12 qualified employment position directly created in an eligible business
13 project.

14 (2) The department shall keep a running total of all credits
15 granted under this chapter during each fiscal biennium. The department
16 shall not allow any credits which would cause the tabulation for a
17 biennium to exceed fifteen million dollars. If all or part of an
18 application for credit is disallowed under this subsection, the
19 disallowed portion shall be carried over for approval the next
20 biennium. However, the applicant's carryover into the next biennium is
21 only permitted if the tabulation for the next biennium does not exceed
22 fifteen million dollars as of the date on which the department has
23 disallowed the application.

24 (3) No recipient is eligible for tax credits in excess of three
25 hundred thousand dollars per taxable year.

26 (4) No recipient may use the tax credits to decertify a union or to
27 displace existing jobs in any community in the state.

28 (5) No recipient may receive a tax credit on taxes which have not
29 been paid during the taxable year.

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