

---

**SUBSTITUTE SENATE BILL 6534**

---

**State of Washington**

**55th Legislature**

**1998 Regular Session**

**By** Senate Committee on Commerce & Labor (originally sponsored by Senators Loveland and Prince)

Read first time 02/06/98.

1 AN ACT Relating to defining distressed area for purposes of  
2 economic assistance; and amending RCW 43.165.010, 43.168.020,  
3 43.31.601, 43.63A.710, 82.14.370, 82.62.010, and 82.60.020.

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

5 **Sec. 1.** RCW 43.165.010 and 1996 c 290 s 2 are each amended to read  
6 as follows:

7 Unless the context clearly requires to the contrary, the  
8 definitions in this section apply throughout this chapter.

9 (1) "Department" means the department of community, trade, and  
10 economic development.

11 (2) "Director" means the director of the department.

12 (3) "Distressed area" means: (a) A county that has an unemployment  
13 rate that is twenty percent above the state-wide average for the  
14 previous three years; (b) a county that has a median household income  
15 that is less than seventy-five percent of the state median household  
16 income for the previous three years; (c) a community or area that has  
17 experienced sudden and severe or long-term and severe loss of  
18 employment, or erosion of its economic base due to decline of its  
19 dominant industries; ((or)) (d) an area within a county which area:

1 (i) Is composed of contiguous census tracts; (ii) has a minimum  
2 population of five thousand persons; (iii) has at least seventy percent  
3 of its families and unrelated individuals with incomes below eighty  
4 percent of the county's median income for families and unrelated  
5 individuals; and (iv) has an unemployment rate which is at least forty  
6 percent higher than the county's unemployment rate; or (e) a county  
7 that has a proportion of its population enrolled in medical assistance  
8 that is forty percent or more above the state average for the previous  
9 three years. For purposes of this definition, "families and unrelated  
10 individuals" has the same meaning that is ascribed to that term by the  
11 federal department of housing and urban development in its regulations  
12 authorizing action grants for economic development and neighborhood  
13 revitalization projects.

14 (4) "Economic development revolving loan funds" means a local, not-  
15 for-profit or governmentally sponsored business loan program.

16 (5) "Team" means the community revitalization team.

17 (6) "Technical assistance" includes, but is not limited to,  
18 assistance with strategic planning, market research, business plan  
19 development review, organization and management development, accounting  
20 and legal services, grant and loan packaging, and other assistance  
21 which may be expected to contribute to the redevelopment and economic  
22 well-being of a distressed area.

23 **Sec. 2.** RCW 43.168.020 and 1996 c 290 s 3 are each amended to read  
24 as follows:

25 Unless the context clearly requires otherwise, the definitions in  
26 this section apply throughout this chapter.

27 (1) "Committee" means the Washington state development loan fund  
28 committee.

29 (2) "Department" means the department of community, trade, and  
30 economic development.

31 (3) "Director" means the director of community, trade, and economic  
32 development.

33 (4) "Distressed area" means: (a) A county which has an  
34 unemployment rate which is twenty percent above the state average for  
35 the immediately previous three years; (b) a county that has a median  
36 household income that is less than seventy-five percent of the state  
37 median household income for the previous three years; (c) a  
38 metropolitan statistical area, as defined by the office of federal

1 statistical policy and standards, United States department of commerce,  
2 in which the average level of unemployment for the calendar year  
3 immediately preceding the year in which an application is filed under  
4 this chapter exceeds the average state unemployment for such calendar  
5 year by twenty percent; (d) an area within a county, which area: (i)  
6 Is composed of contiguous census tracts; (ii) has a minimum population  
7 of five thousand persons; (iii) has at least seventy percent of its  
8 families and unrelated individuals with incomes below eighty percent of  
9 the county's median income for families and unrelated individuals; and  
10 (iv) has an unemployment rate which is at least forty percent higher  
11 than the county's unemployment rate; (~~(e)~~) (e) a county designated as  
12 a rural natural resources impact area under RCW 43.31.601 if an  
13 application is filed by July 1, 1997; or (f) a county that has a  
14 proportion of its population enrolled in medical assistance that is  
15 forty percent or more above the state average for the previous three  
16 years. For purposes of this definition, "families and unrelated  
17 individuals" has the same meaning that is ascribed to that term by the  
18 federal department of housing and urban development in its regulations  
19 authorizing action grants for economic development and neighborhood  
20 revitalization projects.

21 (5) "Fund" means the Washington state development loan fund.

22 (6) "Local development organization" means a nonprofit organization  
23 which is organized to operate within an area, demonstrates a commitment  
24 to a long-standing effort for an economic development program, and  
25 makes a demonstrable effort to assist in the employment of unemployed  
26 or underemployed residents in an area.

27 (7) "Project" means the establishment of a new or expanded business  
28 in an area which when completed will provide employment opportunities.  
29 "Project" also means the retention of an existing business in an area  
30 which when completed will provide employment opportunities.

31 **Sec. 3.** RCW 43.31.601 and 1997 c 367 s 1 are each amended to read  
32 as follows:

33 For the purposes of RCW 43.31.601 through 43.31.641:

34 (1)(a) "Timber impact area" means a county having a population of  
35 less than five hundred thousand, or a city or town located within a  
36 county having a population of less than five hundred thousand, and  
37 meeting two of the following three criteria, as determined by the  
38 employment security department, for the most recent year such data is

1 available: ~~((a))~~ (i) A lumber and wood products employment location  
2 quotient at or above the state average; ~~((b))~~ (ii) projected or  
3 actual direct lumber and wood products job losses of one hundred  
4 positions or more, except counties having a population greater than two  
5 hundred thousand but less than five hundred thousand must have direct  
6 lumber and wood products job losses of one thousand positions or more;  
7 or ~~((c))~~ (iii) an annual unemployment rate twenty percent or more  
8 above the state average.

9 (b) "Timber impact area" also means a county that has a proportion  
10 of its population enrolled in medical assistance that is forty percent  
11 or more above the state average for the previous three years.

12 (2)(a) "Rural natural resources impact area" means:

13 (i) A nonmetropolitan county, as defined by the 1990 decennial  
14 census, that meets three of the five criteria set forth in (b) of this  
15 subsection;

16 (ii) A nonmetropolitan county with a population of less than forty  
17 thousand in the 1990 decennial census, that meets two of the five  
18 criteria as set forth in (b) of this subsection; ~~((c))~~

19 (iii) A nonurbanized area, as defined by the 1990 decennial census,  
20 that is located in a metropolitan county that meets three of the five  
21 criteria set forth in (b) of this subsection; or

22 (iv) A county that has a proportion of its population enrolled in  
23 medical assistance that is forty percent or more above the state  
24 average for the previous three years.

25 (b) For the purposes of designating rural natural resources impact  
26 areas, the following criteria shall be considered:

27 (i) A lumber and wood products employment location quotient at or  
28 above the state average;

29 (ii) A commercial salmon fishing employment location quotient at or  
30 above the state average;

31 (iii) Projected or actual direct lumber and wood products job  
32 losses of one hundred positions or more;

33 (iv) Projected or actual direct commercial salmon fishing job  
34 losses of one hundred positions or more; and

35 (v) An unemployment rate twenty percent or more above the state  
36 average.

37 The counties that meet these criteria shall be determined by the  
38 employment security department for the most recent year for which data  
39 is available. For the purposes of administration of programs under

1 this chapter, the United States post office five-digit zip code  
2 delivery areas will be used to determine residence status for  
3 eligibility purposes. For the purpose of this definition, a zip code  
4 delivery area of which any part is ten miles or more from an urbanized  
5 area is considered nonurbanized. A zip code totally surrounded by zip  
6 codes qualifying as nonurbanized under this definition is also  
7 considered nonurbanized. The office of financial management shall make  
8 available a zip code listing of the areas to all agencies and  
9 organizations providing services under this chapter.

10 **Sec. 4.** RCW 43.63A.710 and 1994 sp.s. c 7 s 703 are each amended  
11 to read as follows:

12 (1) Except under subsection (2) of this section, the director may  
13 not designate an area as a designated community empowerment zone unless  
14 that area meets the following requirements:

15 (a) The area must be designated by the legislative authority of the  
16 local government as an area to receive federal, state, and local  
17 assistance designed to increase economic, physical, or social activity  
18 in the area;

19 (b) The area must have at least fifty-one percent of the households  
20 in the area with incomes at or below eighty percent of the county's  
21 median income, adjusted for household size;

22 (c) The average unemployment rate for the area, for the most recent  
23 twelve-month period for which data is available must be at least one  
24 hundred twenty percent of the average unemployment rate of the county;  
25 and

26 (d) A five-year community empowerment plan for the area that meets  
27 the requirements of RCW 43.63A.700(1)(c) and as further defined by the  
28 director must be adopted.

29 (2) The director may designate as a community empowerment zone a  
30 county that has a proportion of its population enrolled in medical  
31 assistance that is forty percent or more above the state average for  
32 the previous three years.

33 (3) The director may establish, by rule, such other requirements as  
34 the director may reasonably determine necessary and appropriate to  
35 assure that the purposes of this section are satisfied.

36 ((+3+)) (4) In determining if an area meets the requirements of  
37 this section, the director may consider data provided by the United  
38 States bureau of the census from the most recent census or any other

1 reliable data that the director determines to be acceptable for the  
2 purposes for which the data is used.

3       **Sec. 5.** RCW 82.14.370 and 1997 c 366 s 3 are each amended to read  
4 as follows:

5       (1) The legislative authority of a distressed county may impose a  
6 sales and use tax in accordance with the terms of this chapter. The  
7 tax is in addition to other taxes authorized by law and shall be  
8 collected from those persons who are taxable by the state under  
9 chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event  
10 within the county. The rate of tax shall not exceed 0.04 percent of  
11 the selling price in the case of a sales tax or value of the article  
12 used in the case of a use tax.

13       (2) The tax imposed under subsection (1) of this section shall be  
14 deducted from the amount of tax otherwise required to be collected or  
15 paid over to the department of revenue under chapter 82.08 or 82.12  
16 RCW. The department of revenue shall perform the collection of such  
17 taxes on behalf of the county at no cost to the county.

18       (3) Moneys collected under this section shall only be used for the  
19 purpose of financing public facilities in rural counties.

20       (4) No tax may be collected under this section before July 1, 1998.  
21 No tax may be collected under this section by a county more than  
22 twenty-five years after the date that a tax is first imposed under this  
23 section.

24       (5) For purposes of this section, "distressed county" means a  
25 county in which the average level of unemployment for the three years  
26 before the year in which a tax is first imposed under this section  
27 exceeds the average state employment for those years by twenty percent  
28 or a county that has a proportion of its population enrolled in medical  
29 assistance that is forty percent or more above the state average for  
30 the previous three years.

31       **Sec. 6.** RCW 82.62.010 and 1996 c 290 s 5 are each amended to read  
32 as follows:

33       Unless the context clearly requires otherwise, the definitions in  
34 this section apply throughout this chapter.

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

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

1 (3) "Eligible area" means: (a) A county in which the average level  
2 of unemployment for the three years before the year in which an  
3 application is filed under this chapter exceeds the average state  
4 unemployment for those years by twenty percent; (b) a county that has  
5 a median household income that is less than seventy-five percent of the  
6 state median household income for the previous three years; (c) a  
7 metropolitan statistical area, as defined by the office of federal  
8 statistical policy and standards, United States department of commerce,  
9 in which the average level of unemployment for the calendar year  
10 immediately preceding the year in which an application is filed under  
11 this chapter exceeds the average state unemployment for such calendar  
12 year by twenty percent; (d) a designated community empowerment zone  
13 approved under RCW 43.63A.700; ~~((e))~~ (e) subcounty areas in those  
14 counties that are not covered under (a) of this subsection that are  
15 timber impact areas as defined in RCW 43.31.601; or (f) a county that  
16 has a proportion of its population enrolled in medical assistance that  
17 is forty percent or more above the state average for the previous three  
18 years.

19 (4)(a) "Eligible business project" means manufacturing or research  
20 and development activities which are conducted by an applicant in an  
21 eligible area at a specific facility, provided the applicant's average  
22 full-time qualified employment positions at the specific facility will  
23 be at least fifteen percent greater in the year for which the credit is  
24 being sought than the applicant's average full-time qualified  
25 employment positions at the same facility in the immediately preceding  
26 year.

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

32 (5) "Manufacturing" means all activities of a commercial or  
33 industrial nature wherein labor or skill is applied, by hand or  
34 machinery, to materials so that as a result thereof a new, different,  
35 or useful substance or article of tangible personal property is  
36 produced for sale or commercial or industrial use and shall include the  
37 production or fabrication of specially made or custom made articles.  
38 "Manufacturing" also includes computer programming, the production of  
39 computer software, and other computer-related services, and the

1 activities performed by research and development laboratories and  
2 commercial testing laboratories.

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

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

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

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

10 (10) "Research and development" means the development, refinement,  
11 testing, marketing, and commercialization of a product, service, or  
12 process before commercial sales have begun. As used in this  
13 subsection, "commercial sales" excludes sales of prototypes or sales  
14 for market testing if the total gross receipts from such sales of the  
15 product, service, or process do not exceed one million dollars.

16 **Sec. 7.** RCW 82.60.020 and 1996 c 290 s 4 are each amended to read  
17 as follows:

18 Unless the context clearly requires otherwise, the definitions in  
19 this section apply throughout this chapter.

20 (1) "Applicant" means a person applying for a tax deferral under  
21 this chapter.

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

23 (3) "Eligible area" means: (a) A county in which the average level  
24 of unemployment for the three years before the year in which an  
25 application is filed under this chapter exceeds the average state  
26 unemployment for those years by twenty percent; (b) a county that has  
27 a median household income that is less than seventy-five percent of the  
28 state median household income for the previous three years; (c) a  
29 metropolitan statistical area, as defined by the office of federal  
30 statistical policy and standards, United States department of commerce,  
31 in which the average level of unemployment for the calendar year  
32 immediately preceding the year in which an application is filed under  
33 this chapter exceeds the average state unemployment for such calendar  
34 year by twenty percent; (d) a designated community empowerment zone  
35 approved under RCW 43.63A.700 or a county containing such a community  
36 empowerment zone; (e) a town with a population of less than twelve  
37 hundred persons in those counties that are not covered under (a) of  
38 this subsection that are timber impact areas as defined in RCW



1 43.31.601; (f) a county designated by the governor as an eligible area  
2 under RCW 82.60.047; ~~((or))~~ (g) a county that is contiguous to a county  
3 that qualifies as an eligible area under (a) or (f) of this subsection;  
4 or (h) a county that has a proportion of its population enrolled in  
5 medical assistance that is forty percent or more above the state  
6 average for the previous three years.

7 (4)(a) "Eligible investment project" means:

8 (i) An investment project in an eligible area as defined in  
9 subsection (3)(a), (b), (c), (e), or (f) of this section; or

10 (ii) That portion of an investment project in an eligible area as  
11 defined in subsection (3)(d) or (g) of this section which is directly  
12 utilized to create at least one new full-time qualified employment  
13 position for each three hundred thousand dollars of investment on which  
14 a deferral is requested in an application approved before July 1, 1994,  
15 and for each seven hundred fifty thousand dollars of investment on  
16 which a deferral is requested in an application approved after June 30,  
17 1994.

18 (b) The lessor/owner of a qualified building is not eligible for a  
19 deferral unless the underlying ownership of the buildings, machinery,  
20 and equipment vests exclusively in the same person, or unless the  
21 lessor by written contract agrees to pass the economic benefit of the  
22 deferral to the lessee in the form of reduced rent payments.

23 (c) For purposes of (a)(ii) of this subsection:

24 (i) The department shall consider the entire investment project,  
25 including any investment in machinery and equipment that otherwise  
26 qualifies for exemption under RCW 82.08.02565 or 82.12.02565, for  
27 purposes of determining the portion of the investment project that  
28 qualifies for deferral as an eligible investment project; and

29 (ii) The number of new full-time qualified employment positions  
30 created by an investment project shall be deemed to be reduced by the  
31 number of full-time employment positions maintained by the recipient in  
32 any other community in this state that are displaced as a result of the  
33 investment project.

34 (d) "Eligible investment project" does not include any portion of  
35 an investment project undertaken by a light and power business as  
36 defined in RCW 82.16.010(5), other than that portion of a cogeneration  
37 project that is used to generate power for consumption within the  
38 manufacturing site of which the cogeneration project is an integral

1 part, or investment projects which have already received deferrals  
2 under this chapter.

3 (5) "Investment project" means an investment in qualified buildings  
4 or qualified machinery and equipment, including labor and services  
5 rendered in the planning, installation, and construction of the  
6 project.

7 (6) "Manufacturing" means all activities of a commercial or  
8 industrial nature wherein labor or skill is applied, by hand or  
9 machinery, to materials so that as a result thereof a new, different,  
10 or useful substance or article of tangible personal property is  
11 produced for sale or commercial or industrial use and shall include the  
12 production or fabrication of specially made or custom made articles.  
13 "Manufacturing" also includes computer programming, the production of  
14 computer software, and other computer-related services, and the  
15 activities performed by research and development laboratories and  
16 commercial testing laboratories.

17 (7) "Person" has the meaning given in RCW 82.04.030.

18 (8) "Qualified buildings" means construction of new structures, and  
19 expansion or renovation of existing structures for the purpose of  
20 increasing floor space or production capacity used for manufacturing  
21 and research and development activities, including plant offices and  
22 warehouses or other facilities for the storage of raw material or  
23 finished goods if such facilities are an essential or an integral part  
24 of a factory, mill, plant, or laboratory used for manufacturing or  
25 research and development. If a building is used partly for  
26 manufacturing or research and development and partly for other  
27 purposes, the applicable tax deferral shall be determined by  
28 apportionment of the costs of construction under rules adopted by the  
29 department.

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

33 (10) "Qualified machinery and equipment" means all new industrial  
34 and research fixtures, equipment, and support facilities that are an  
35 integral and necessary part of a manufacturing or research and  
36 development operation. "Qualified machinery and equipment" includes:  
37 Computers; software; data processing equipment; laboratory equipment;  
38 manufacturing components such as belts, pulleys, shafts, and moving

1 parts; molds, tools, and dies; operating structures; and all equipment  
2 used to control or operate the machinery.

3 (11) "Recipient" means a person receiving a tax deferral under this  
4 chapter.

5 (12) "Research and development" means the development, refinement,  
6 testing, marketing, and commercialization of a product, service, or  
7 process before commercial sales have begun. As used in this  
8 subsection, "commercial sales" excludes sales of prototypes or sales  
9 for market testing if the total gross receipts from such sales of the  
10 product, service, or process do not exceed one million dollars.

--- END ---