

CERTIFICATION OF ENROLLMENT
SECOND SUBSTITUTE SENATE BILL 5740

55th Legislature
1997 Regular Session

Passed by the Senate April 27, 1997
YEAS 48 NAYS 0

President of the Senate

Passed by the House April 26, 1997
YEAS 98 NAYS 0

**Speaker of the
House of Representatives**

Approved

Governor of the State of Washington

CERTIFICATE

I, Mike O Connell, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE SENATE BILL 5740** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

1 problems including: Above-average unemployment rates from job losses
2 and below-average employment growth; low rate of business start-ups;
3 and persistent erosion of vitally important resource-driven industries.

4 The legislature also recognizes that rural distressed areas in
5 Washington have an abiding ability and consistent will to overcome
6 these economic obstacles by building upon their historic foundations of
7 business enterprise, local leadership, and outstanding work ethic.

8 The legislature intends to assist rural distressed areas in their
9 ongoing efforts to address these difficult economic problems by
10 providing a comprehensive and significant array of economic tools,
11 necessary to harness the persistent and undaunted spirit of enterprise
12 that resides in the citizens of rural distressed areas throughout the
13 state.

14 The further intent of this act is to provide:

15 (1) A strategically designed plan of assistance, emphasizing state,
16 local, and private sector leadership and partnership;

17 (2) A comprehensive and significant array of business assistance,
18 services, and tax incentives that are accountable and performance
19 driven;

20 (3) An array of community assistance including infrastructure
21 development and business retention, attraction, and expansion programs
22 that will provide a competitive advantage to rural distressed areas
23 throughout Washington; and

24 (4) Regulatory relief to reduce and streamline zoning, permitting,
25 and regulatory requirements in order to enhance the capability of
26 businesses to grow and prosper in rural distressed areas.

27 NEW SECTION. **Sec. 2.** GOALS. The primary goals of chapter . . . ,
28 Laws of 1997 (this act) are to:

29 (1) Promote the ongoing operation of business in rural distressed
30 areas;

31 (2) Promote the expansion of existing businesses in rural
32 distressed areas;

33 (3) Attract new businesses to rural distressed areas;

34 (4) Assist in the development of new businesses from within rural
35 distressed areas;

36 (5) Provide family wage jobs to the citizens of rural distressed
37 areas; and

1 (6) Promote the development of communities of excellence in rural
2 distressed areas.

3 **PART II**
4 **TAX INCENTIVES**

5 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.14 RCW
6 to read as follows:

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

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

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

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

26 (5) For purposes of this section, "distressed county" means a
27 county in which the average level of unemployment for the three years
28 before the year in which a tax is first imposed under this section
29 exceeds the average state employment for those years by twenty percent.

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

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

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

36 (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; or (e) subcounty areas in those counties
14 that are not covered under (a) of this subsection that are timber
15 impact areas as defined in RCW 43.31.601.

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

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

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

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

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

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

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

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

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

15 (1) A person shall be allowed a credit against the tax due under
16 chapter 82.04 RCW as provided in this section. For an application
17 approved before January 1, 1996, the credit shall equal one thousand
18 dollars for each qualified employment position directly created in an
19 eligible business project. For an application approved on or after
20 January 1, 1996, the credit shall equal two thousand dollars for each
21 qualified employment position directly created in an eligible business
22 project. For an application approved on or after July 1, 1997, the
23 credit shall equal four thousand dollars for each qualified employment
24 position with wages and benefits greater than forty thousand dollars
25 annually that is directly created in an eligible business. For an
26 application approved on or after July 1, 1997, the credit shall equal
27 two thousand dollars for each qualified employment position with wages
28 and benefits less than or equal to forty thousand dollars annually that
29 is directly created in an eligible business.

30 (2) The department shall keep a running total of all credits
31 granted under this chapter during each fiscal (~~(biennium))~~ year. The
32 department shall not allow any credits which would cause the tabulation
33 (~~(for a biennium))~~ to exceed (~~(fifteen))~~ five million five hundred
34 thousand dollars in fiscal year 1998 or 1999 or seven million five
35 hundred thousand dollars in any fiscal year thereafter. If all or part
36 of an application for credit is disallowed under this subsection, the
37 disallowed portion shall be carried over for approval the next
38 (~~(biennium))~~ fiscal year. However, the applicant's carryover into the

1 next ((~~biennium~~)) fiscal year is only permitted if the tabulation for
2 the next ((~~biennium~~)) fiscal year does not exceed ((~~fifteen million~~
3 ~~dollars~~)) the cap for that fiscal year as of the date on which the
4 department has disallowed the application.

5 (3) ((~~No recipient is eligible for tax credits in excess of three~~
6 ~~hundred thousand dollars.~~

7 (~~4~~)) No recipient may use the tax credits to decertify a union or
8 to displace existing jobs in any community in the state.

9 ((~~5~~)) (4) No recipient may receive a tax credit on taxes which
10 have not been paid during the taxable year.

11 NEW SECTION. **Sec. 6.** RCW 82.62.040 and 1993 sp.s. c 25 s 411,
12 1988 c 41 s 4, & 1986 c 116 s 22 are each repealed.

13 **PART III**

14 **BUSINESS ASSISTANCE**

15 NEW SECTION. **Sec. 7.** BUSINESS ASSISTANCE AND RECRUITMENT FOR
16 RURAL DISTRESSED AREAS. The department of community, trade, and
17 economic development is directed to emphasize business assistance and
18 recruitment for rural distressed areas within its trade and economic
19 sectors, and local development assistance. The primary goal of the
20 rural initiative is to coordinate and administer a comprehensive and
21 effective set of business assistance programs and services including:

22 (1) Business recruitment. The department of community, trade, and
23 economic development shall: Provide a comprehensive and aggressive
24 program to attract viable businesses to rural distressed areas; work
25 with local communities to identify select industry sectors that have a
26 competitive advantage in specific rural distressed areas; collaborate
27 with state and local officials to modify their infrastructure plans and
28 priorities to facilitate business growth; and assist rural distressed
29 areas in developing strategic business recruitment plans.

30 (2) Business permitting and zoning one-stop shop. The department
31 of community, trade, and economic development shall: Provide a
32 streamlined and customer driven siting service to businesses in order
33 to promote their attraction and expansion in rural distressed areas;
34 provide preliminary permit application and zoning information and
35 services for businesses in order to attract firms and facilitate
36 business growth in rural distressed areas.

1 (3) Business regulatory assistance and ombudsman services. The
2 department of community, trade, and economic development shall:
3 Provide comprehensive business regulatory services to assist businesses
4 in addressing and responding to local, state, and federal regulations;
5 and provide recommendations on streamlining and modifying government
6 regulations.

7 (a) The department of community, trade, and economic development is
8 authorized to review state zoning, permitting, or regulatory
9 requirements that pose difficulty for businesses wishing or likely to
10 site in a rural enterprise area. In situations where the department of
11 community, trade, and economic development considers the zoning,
12 permitting, or regulatory requirements placed on a business in a rural
13 enterprise area unfairly burdensome the director may petition the
14 regulatory agency or agencies for regulatory relief. In addition the
15 director may petition the agency or agencies for relief under the
16 regulatory fairness act, chapter 19.85 RCW.

17 (b) In situations where a business or entity in a rural enterprise
18 area is encountering regulatory oversight from more than one state
19 agency and is experiencing conflicting direction or confusing process,
20 the business or entity may petition the director to intercede. The
21 director upon review of the circumstances involved is authorized to
22 designate a lead agency to collaborate with other state agencies in
23 order to streamline and reduce the regulatory difficulties.

24 (c) Businesses or entities in a rural enterprise zone may petition
25 the director for an accelerated zoning, permitting, or regulatory
26 process. The director upon reviewing the petition and the
27 circumstances involved may make a finding of regulatory unfairness and
28 may direct the state agency or agencies to process the business or
29 entities application in an expeditious manner with a maximum timeline
30 of six months from the director's receipt of the petition.

31 The director shall establish a pilot process in cooperation with
32 other state agencies to implement this subsection (3) during 1997 and
33 1998 and report annually to the legislature on the impact of the
34 program.

35 (4) "Brown Fields" Program. The department of community, trade,
36 and economic development shall develop with the department of ecology
37 and recommend to the legislature a streamlined and cost-effective
38 process to redevelop hazardous industrial sites in order to promote
39 business growth in rural distressed areas.

1 (5) Rural enterprise zone development and foreign trade zone. The
2 department of community, trade, and economic development is authorized
3 to provide technical assistance to local governments in rural
4 distressed areas to establish rural enterprise zones and foreign trade
5 zones. The department of community, trade, and economic development
6 shall target rural enterprise zones and foreign trade zones in the
7 delivery of its services in order to maximize the impact of its
8 economic development assistance to businesses and rural distressed
9 areas.

10 NEW SECTION. **Sec. 8.** RURAL INITIATIVE ADMINISTRATION. The rural
11 initiative shall be administered by a director appointed by the
12 director of community, trade, and economic development, in consultation
13 with the rural distressed areas economic recovery coordination board.
14 The rural initiative director shall coordinate activities with the
15 rural community assistance team and report on the activities and
16 performance of the rural initiative to the legislature on a quarterly
17 basis.

18 **PART IV**

19 **RURAL ENTERPRISE ZONES**

20 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.63A RCW
21 to read as follows:

22 RURAL ENTERPRISE ZONES. The legislature recognizes the unique
23 difficulties encountered by communities in rural distressed areas
24 wishing to promote business development, increase employment
25 opportunities, and provide a high quality of life for its citizens. In
26 response the legislature authorizes the establishment of rural
27 enterprise zones that will allow the targeting of state services and
28 resources in the form of business, industry recruitment, regulatory
29 relief, and infrastructure development. It is the intent of the
30 legislature to provide the critical level of resources and services to
31 businesses and entities located in these rural enterprise zones that
32 they will be the catalyst for economic prosperity and diversity
33 throughout rural distressed areas in Washington.

34 (1) The department in cooperation with the department of revenue
35 and other state agencies shall approve applications submitted by local
36 governments in rural distressed areas. The application shall be in the

1 form and manner and contain the necessary information designated by the
2 department. The application shall:

3 (a) Be submitted on behalf of the local government by the chief
4 elected official or, if none, by the governing body of the local
5 government;

6 (b) Outline the purpose for the economic development enterprise
7 zone and the process in which the application was developed;

8 (c) Demonstrate the level of government and community support for
9 the enterprise zone;

10 (d) Outline the manner in which the enterprise zone will be
11 governed and report its activities to the local government and the
12 department; and

13 (e) Designate the geographic area in which the rural enterprise
14 zone will exist.

15 (2) Rural enterprise zones are authorized to:

16 (a) Hire a director or designate an individual to oversee
17 operations;

18 (b) Seek federal, state, and local government support in its
19 efforts to target, develop, and attract viable businesses;

20 (c) Work with the office of business assistance and recruitment for
21 rural distressed areas in the pursuit of its economic development
22 activities;

23 (d) Provide a local one-stop shop for businesses intending to
24 locate, retain, expand, or start their businesses within its zone; and

25 (e) Provide comprehensive permitting, zoning, and regulatory
26 assistance to businesses or entities within the zone.

27 (3) Rural enterprise zones are authorized to receive the services
28 and funding resources as provided under the rural area marketing plan
29 and other resources assisting rural distressed areas.

30 (4) Rural enterprise zones may be established in conjunction with
31 a foreign trade zone.

32 **PART V**
33 **EVALUATION**

34 NEW SECTION. **Sec. 10.** REVIEW AND EVALUATION. The joint
35 legislative audit and review committee shall design an evaluation
36 mechanism for economically distressed counties under this act and
37 undertake an evaluation of the act's effectiveness by November 1, 1999.

1 The agencies implementing the programs under this act shall assist the
2 joint legislative audit and review committee evaluation.

3 **PART VI**
4 **MISCELLANEOUS**

5 NEW SECTION. **Sec. 11.** If any provision of this act or its
6 application to any person or circumstance is held invalid, the
7 remainder of the act or the application of the provision to other
8 persons or circumstances is not affected.

9 NEW SECTION. **Sec. 12.** Section captions and part headings used in
10 this act are not any part of the law.

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