

1 **SHB 2285 - H AMD 244 WITHDRAWN 4-24-99**

2 By Representative Eickmeyer

3 On page 85, after line 12, insert the following:

4 **Sec. 501.** RCW 43.168.020 and 1996 c 290 s 3 are each amended to
5 read as follows:

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

8 (1) "Committee" means the Washington state development loan fund
9 committee.

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

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

14 (4) "Distressed area" means: (a) A county which has an
15 unemployment rate which is twenty percent above the state average for
16 the immediately previous three years; (b) a county that has a median
17 household income that is less than seventy-five percent of the state
18 median household income for the previous three years; (c) a
19 metropolitan statistical area, as defined by the office of federal
20 statistical policy and standards, United States department of commerce,
21 in which the average level of unemployment for the calendar year
22 immediately preceding the year in which an application is filed under
23 this chapter exceeds the average state unemployment for such calendar
24 year by twenty percent; (d) an area within a county, which area: (i)
25 Is composed of contiguous census tracts; (ii) has a minimum population
26 of five thousand persons; (iii) has at least seventy percent of its
27 families and unrelated individuals with incomes below eighty percent of
28 the county's median income for families and unrelated individuals; and
29 (iv) has an unemployment rate which is at least forty percent higher
30 than the county's unemployment rate; ~~((e))~~ (e) a county designated as
31 a rural natural resources impact area under RCW 43.31.601 if an
32 application is filed by July 1, 1997. For purposes of this definition,
33 "families and unrelated individuals" has the same meaning that is
34 ascribed to that term by the federal department of housing and urban
35 development in its regulations authorizing action grants for economic
36 development and neighborhood revitalization projects; or (f) a county

1 that has experienced a loss of more than three thousand jobs during the
2 previous five-year period due to military base restructuring and
3 military employment in the county exceeds fifteen percent of the total
4 employment in the county.

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

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

11 (7) "Project" means the establishment of a new or expanded
12 business in an area which when completed will provide employment
13 opportunities. "Project" also means the retention of an existing
14 business in an area which when completed will provide employment
15 opportunities.

16 **Sec. 502.** RCW 82.60.020 and 1996 c 290 s 4 are each amended to
17 read 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
24 level 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

1 this subsection that are timber impact areas as defined in RCW
2 43.31.601; (f) a county designated by the governor as an eligible area
3 under RCW 82.60.047; ~~((e))~~ (g) a county that is contiguous to a county
4 that qualifies as an eligible area under (a) or (f) of this subsection;
5 or (h) a county that has experienced a loss of more than three thousand
6 jobs during the previous five-year period due to military base
7 restructuring and military employment in the county exceeds fifteen
8 percent of the total employment in the county.

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

10 (i) An investment project in an eligible area as defined in
11 subsection (3)(a), (b), (c), (e), ~~((f))~~ (f), or (h) of this section;
12 or

13 (ii) That portion of an investment project in an eligible area as
14 defined in subsection (3)(d) or (g) of this section which is directly
15 utilized to create at least one new full-time qualified employment
16 position for each three hundred thousand dollars of investment on which
17 a deferral is requested in an application approved before July 1, 1994,
18 and for each ~~((seven))~~ two hundred fifty thousand dollars of investment
19 on which a deferral is requested in an application approved after June
20 30, 1994.

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

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

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

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

37 (d) "Eligible investment project" does not include any portion of
38 an investment project undertaken by a light and power business as

1 defined in RCW 82.16.010(5), other than that portion of a cogeneration
2 project that is used to generate power for consumption within the
3 manufacturing site of which the cogeneration project is an integral
4 part, or investment projects which have already received deferrals
5 under this chapter.

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

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

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

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

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

36 (10) "Qualified machinery and equipment" means all new industrial
37 and research fixtures, equipment, and support facilities that are an
38 integral and necessary part of a manufacturing or research and

1 development operation. "Qualified machinery and equipment" includes:
2 Computers; software; data processing equipment; laboratory equipment;
3 manufacturing components such as belts, pulleys, shafts, and moving
4 parts; molds, tools, and dies; operating structures; and all equipment
5 used to control or operate the machinery.

6 (11) "Recipient" means a person receiving a tax deferral under
7 this chapter.

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

14 **Sec. 503.** RCW 82.60.040 and 1997 c 156 s 5 are each amended to
15 read as follows:

16 (1) The department shall issue a sales and use tax deferral
17 certificate for state and local sales and use taxes due under chapters
18 82.08, 82.12, and 82.14 RCW on each eligible investment project that:

19 (a) Is located in an eligible area as defined in RCW 82.60.020(3)
20 (a), (b), (c), (e), ~~((or))~~ (f), of (h);

21 (b) Is located in an eligible area as defined in RCW
22 82.60.020(3)(g) if seventy-five percent of the new qualified employment
23 positions are to be filled by residents of a contiguous county that is
24 an eligible area as defined in RCW 82.60.020(3) (a) or (f); or

25 (c) Is located in an eligible area as defined in RCW
26 82.60.020(3)(d) if seventy-five percent of the new qualified employment
27 positions are to be filled by residents of a designated community
28 empowerment zone approved under RCW 43.63A.700 located within the
29 county in which the eligible investment project is located.

30 (2) The department shall keep a running total of all deferrals
31 granted under this chapter during each fiscal biennium.

32 **Sec. 504.** RCW 82.62.010 and 1996 c 290 s 5 are each amended to
33 read as follows:

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

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

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

4 (3) "Eligible area" means: (a) A county in which the average
5 level of unemployment for the three years before the year in which an
6 application is filed under this chapter exceeds the average state
7 unemployment for those years by twenty percent; (b) a county that has
8 a median household income that is less than seventy-five percent of the
9 state median household income for the previous three years; (c) a
10 metropolitan statistical area, as defined by the office of federal
11 statistical policy and standards, United States department of commerce,
12 in which the average level of unemployment for the calendar year
13 immediately preceding the year in which an application is filed under
14 this chapter exceeds the average state unemployment for such calendar
15 year by twenty percent; (d) a designated community empowerment zone
16 approved under RCW 43.63A.700; ~~((or))~~ (e) subcounty areas in those
17 counties that are not covered under (a) of this subsection that are
18 timber impact areas as defined in RCW 43.31.601; or (f) a county that
19 has experienced a loss of more than three thousand jobs during the
20 previous five-year period due to military base restructuring and
21 military employment in the county exceeds fifteen percent of the total
22 employment in the county.

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

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

36 (5) "Manufacturing" means all activities of a commercial or
37 industrial nature wherein labor or skill is applied, by hand or
38 machinery, to materials so that as a result thereof a new, different,

1 or useful substance or article of tangible personal property is
2 produced for sale or commercial or industrial use and shall include the
3 production or fabrication of specially made or custom made articles.
4 "Manufacturing" also includes computer programming, the production of
5 computer software, and other computer-related services, and the
6 activities performed by research and development laboratories and
7 commercial testing laboratories.

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

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

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

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

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

21 Renumber the remaining sections consecutively, correct any internal
22 references accordingly, and correct the title.

EFFECT: Includes counties that have experienced a loss of more than 3,000 jobs during the previous 5-year period due to military base restructuring and where the military employment exceeds 15 percent of the total county employment as either a distressed or eligible area. These counties would be eligible for: (1) Washington State development loan funds; (2) B&O tax credits for job creation; and (3) deferral of sales and use taxes on construction of buildings/structures.