February 18, 1999

BILL ANALYSIS

TO: Members, Committee on Economic Development, Housing & Trade

FROM: Kenny Pittman, Research Analyst (786-7392)

RE: HB 1480 - Providing excise tax incentives for help desk technology businesses in distressed counties.

Brief Summary of Bill

- Provides a B&O tax credit to businesses located in distressed counties that provide information technology help desk– services to third parties.

BACKGROUND:

Washington has developed various incentives that are designed to assist job creation or retention in economically distressed areas. Eligibility for the various tax incentive programs are usually limited to businesses in manufacturing, research and development, or computer-related services industries. There are currently seven categories of eligibility for distressed area tax incentives. These include retail sales and use tax and/or business and occupation tax relief programs.

The business and occupation (B&O) tax is levied on the gross proceeds of sale or the gross income of a business, without any deduction for the cost of doing business. The tax rate varies depending on the classification of the business activity.

SUMMARY:

A business and occupation (B&O) tax credit is provided to businesses in distressed counties that provide information technology help desk– services to third parties. The tax credit is equal to 100 percent of the firm's B&O tax liability for the first seven years of operation and 68 percent of the tax liability, thereafter, if the county retains its distressed county status. An existing firm located in a distressed county can take the credit if they have been in business less than seven years.

A firm may not take the tax credit if the firm is also receiving a tax credit under either the B&O tax credit for job creation (chapter 82.62 RCW) or the international services tax credit (RCW 82.04.44525).

A distressed county is defined as: (i) a county with an average unemployment rate that exceeds the state's average unemployment rate for the same three-year period by 20 percent; or (ii) a county with a median household income that is less than 75 percent of the state median household income for the previous three years.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect July 1, 1999.