

February 23, 1999

BILL ANALYSIS

TO: Members, Committee on Economic Development, Housing, and Trade
FROM: Kenny Pittman, Research Analyst (786-7392)
RE: **HB 2013 - Updating the definition of eligible area– as it related to tax deferrals in distressed areas.**

Brief Summary of Bill

- Removes the sales and use tax exemption on services, materials, and labor used in the construction, expansion, or renovation of manufacturing or research and development business that are located in a county with a community empowerment zone, but not within the community empowerment zone.

BACKGROUND:

The distressed area sales and use tax exemption program targets economically distressed areas of the state. Areas considered economically distressed include (i) a county with an unemployment rate that exceeds the state unemployment rate by 20 percent; (ii) a county that has a median household income that is less than 75 percent of the state median household income; (iii) a metropolitan statistical area that has an unemployment rate that exceeds the state unemployment rate by 20 percent; (iv) a designated community empowerment zone or a county that contains a community empowerment zone; (v) a town with a population less than 1,200 that is located in a timber impact area; (vi) a county designated by the Governor as an eligible area; or (vii) a county that is contiguous to county that has an unemployment that exceeds the state unemployment rate by 20 percent.

A business that is located in an economically distressed area is exempt from sales and use

taxes on services, materials, and labor used in the planning, installation, construction, expansion, or renovation of structures used for manufacturing or research and development activities. A business that is located in a community empowerment zone or in a county with an empowerment zone is required to create one job per \$750,000 of investment in buildings or machinery and equipment. Those projects that are not located in a community empowerment zone, but are located in a county with a community empowerment zone are required to hire a specified number of employees from the community empowerment zone (one per \$750,000 of investment) to claim the sales and use tax exemption.

SUMMARY:

The provision to allow a business, that is located in a county that contains a community empowerment zone but not within the community empowerment zone, to claim the sales and use tax exemption on services, materials and labor necessary for the construction, expansion, or renovation of structures used in manufacturing and research and development activities is removed.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.