

FINAL BILL REPORT

SHB 2460

PARTIAL VETO

C 212 L 00

Synopsis as Enacted

Brief Description: Addressing economic revitalization.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Gombosky, D. Sommers, Veloria, Lovick, Kessler, Kenney, Conway, Ogden, Murray, Schual-Berke, Stensen, Edmonds, Santos, Lantz, Linville, Wood and Benson).

House Committee on Economic Development, Housing & Trade

House Committee on Appropriations

Senate Committee on Commerce, Trade, Housing & Financial Institutions

Senate Committee on Ways & Means

Background:

The Community Empowerment Zone (CEZ) program was created in 1993 to encourage public and private reinvestment in geographic areas of a local government (city, town or county) that are considered economically distressed. The Department of Community, Trade, and Economic Development (DCTED) is responsible for the administration of the CEZ program.

The designation of a geographic area as a CEZ required that the area: (1) be designated by the local legislative authority to receive federal, state, and local financial and technical assistance designed to increase economic activity in the area; (2) have at least 51 percent of the households with incomes below 80 percent of the county median household income, adjusted for household size; (3) have an average unemployment rate 20 percent higher than the average unemployment rate of the county; and (5) have an approved five year community empowerment plan that describes a strategy to meet the housing, infrastructure, economic development, social service, and other public facilities needs of the area.

The DCTED, in consultation with the Department of Revenue, the Employment Security Department, and the Office of Financial Management, was authorized to designate up to six geographic areas by April 1, 1994, for participation in the CEZ program. Only five local governments submitted applications to participate in the CEZ program. The applications from the cities of Seattle, Tacoma, Bremerton, Yakima, and White Center in King County were approved.

Four tax incentives are targeted to firms that locate in a CEZ:

- a sales and use tax deferral/exemption for new or remodeled buildings used in manufacturing or research and development activities;
- a business and occupation (B&O) tax credit of \$2,000 or \$4,000 per new job created by manufacturing, research and development, and computer service firms;
- a B&O tax credit of 20 percent of the amount spent on job training, up to \$5,000 per firm on an annual basis, provided by the employer and designed to enhance job performance; and
- a B&O tax credit of \$3,000 per new job, for a five year period, created by firms that provide services on an international basis.

Summary of Bill:

The Department of Community, Trade, and Economic Development (DCTED) is authorized to accept applications from local governments to designate an additional geographic area as a Community Empowerment Zone (CEZ). The total number of areas that can be state-designated CEZ's may not exceed six.

The DCTED is authorized to review and either approve or disapprove requests by a local government to alter the boundaries of a CEZ. The request to alter the boundaries of a CEZ must be approved or disapproved within 60 days. A request may not be approved if it does not conform with the requirements of the CEZ program.

The DCTED may terminate an area's designation as a CEZ if the department issues findings stating the reason for the termination, including but not limited to a lack of commitment of resources to the CEZ by the public, private, and community-based sectors. The local government may appeal the department's findings within 60 days of the notice to terminate the area's designation as a CEZ. The DCTED may request additional applications from local governments for designation of an area as a CEZ if an area's CEZ designation is terminated.

The DCTED is required to: (1) develop indicators to measure the performance and effectiveness of the CEZ program at the local government level; (2) monitor the implementation and evaluate the effectiveness of the CEZ program; (3) provide information and appropriate assistance to persons desiring to locate and operate a business in a CEZ; and (4) work with appropriate state agencies to coordinate the delivery of programs in a CEZ.

A local government is required to designate an officer or employee as the CEZ administrator to act as the liaison between the local government, the department, the business community, and labor and community-based organizations within the CEZ.

The tax incentives targeted to firms that locate in a CEZ that is approved after January 1, 2000, are limited to business and occupation tax credits for job creation in the area of manufacturing and research and development, employer-provided job training, and job creation in the area of international services.

Votes on Final Passage:

House 96 1
Senate 45 2 (Senate amended)
House (House refused to concur)
Senate 46 0 (Senate amended)
House 94 4 (House concurred)

Effective: June 8, 2000

Partial Veto Summary: The Governor vetoed the section that prohibits businesses located in the newly created CEZ to receive a sales and use tax deferral/exemption on labor and materials used in the construction or expansion of manufacturing or research and development facilities.