

SENATE BILL REPORT

SB 5166

As of January 25, 1999

Title: An act relating to sales and use tax exemptions for call centers in distressed areas.

Brief Description: Authorizing sales and use tax exemptions for call centers in distressed areas.

Sponsors: Senators T. Sheldon, Hale, Snyder, Rasmussen, Hargrove, Swecker, Haugen and McCaslin.

Brief History:

Committee Activity: Agriculture & Rural Economic Development:

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Staff: David Schumacher (786-7474)

Background: Washington has developed various incentives that are designed to assist in job creation or retention in economically distressed areas. The incentives available to businesses located in distressed areas include a sales and use tax exemption on equipment purchases and building construction and a tax credit for job creation.

A distressed area is a geographic area characterized by high unemployment rates, low median household income levels, or substantial job loss in major industries.

Currently, a business must be either a manufacturer or a high tech company to qualify for tax incentives. Such businesses typically receive a sales tax exemption on machinery and equipment purchases. If the business is located in a distressed area, it would also be eligible for a sales tax exemption on the costs of building construction.

The retail sales tax is imposed on the sale of most items of tangible personal property and some services purchased at retail. The state's retail sales and use tax is based on 6.5 percent of the selling price. Local governments may also impose an additional tax up to 1.7 percent; therefore the combined state and local retail sales and use tax rate currently ranges from 7 percent to 8.2 percent.

Summary of Bill: A sales and use tax exemption is provided for call center businesses that are located in distressed areas if they invest at least \$200,000.

The exemption applies to construction costs, labor and services, machinery and equipment.

Appropriation: None.

Fiscal Note: Requested on January 15, 1999.

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

Testimony For: This is a good way to attract new basic employers. We have to stop losing these business to other states. Washington is at a competitive disadvantage because of its tax structure.

Testimony Against: None.

Testified: PRO: Bill Lotto, Lewis Co. EDC; Don White, WA Assn. of Economic Development Councils; Scott Taylor, WPPA; Bo Wandell, Safe Harbor Technology Corp; Lynn Micheau, Grays Harbor EDC.