

SENATE BILL REPORT

SB 5414

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, February 22, 1999

Title: An act relating to providing excise tax incentives for persons engaged in conducting help desk services from distressed counties.

Brief Description: Providing excise tax incentives for help desk technology businesses in distressed counties.

Sponsors: Senators Snyder, Swecker, Franklin, Rasmussen, T. Sheldon and Benton; by request of Governor Locke.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 2/1/99, 2/22/99 [DPS-WM].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5414 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Rasmussen, Chair; T. Sheldon, Vice Chair; Gardner, Honeyford, Morton, Prentice, Snyder and Swecker.

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. To be eligible, a business must be in either the manufacturing, research and development or computer-related service industry.

There are currently seven (often overlapping) categories of eligibility for distressed area sales and/or business and occupation tax relief.

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 activity.

Summary of Substitute Bill: B&O tax credits are provided to businesses in distressed counties engaged in the business of providing information technology "help desk" services to third parties.

The credit is equal to 100 percent of B&O taxes due for the first seven years and 68 percent every year thereafter.

A "distressed county" for this credit is defined as a county with fewer than 100 persons per square mile.

Substitute Bill Compared to Original Bill: Distressed county is changed from a definition based on unemployment or low personal income to one based on population density.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1999.

Testimony For: This bill addresses the disparity between urban and rural Washington. These businesses are often not profitable in the first few years. This tax incentive is a part of Governor Locke's Economic Vitality- package.

Testimony Against: None.

Testified: PRO: Bo Wandell, Safe Harbor; Tim Douglas, CTED.