

SENATE BILL REPORT

SB 5417

As of January 28, 1999

Title: An act relating to providing excise tax incentives for persons engaged in software technology businesses in distressed counties.

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

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

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 2/1/99.

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. 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 Bill: A \$1,000 per job B&O tax credit is provided for new software manufacturing or software programming jobs created in distressed counties. The credit may last up to six years if the position is maintained.

B&O tax credits are also provided to businesses in distressed counties engaged in the business of providing information technology "help desk" services to third parties. This credit is equal to 100 percent of B&O taxes due for the first seven years and 68 percent every year thereafter.

Appropriation: None.

Fiscal Note: Requested on January 21, 1999.

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