

SENATE BILL REPORT

SB 5419

As of January 28, 1999

Title: An act relating to encouraging job opportunities in rural areas of the state by providing excise tax incentives for technology businesses and by providing increased taxing authority for distressed counties.

Brief Description: Providing tax incentives to encourage job opportunities in rural areas of the state.

Sponsors: Senators Rasmussen, Swecker, T. Sheldon, Benton and Haugen; 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.

In 1997, the Legislature passed 2SSB 5740 which allowed distressed counties to levy a 0.04 percent sales tax (credited against the state tax). Revenues from this tax may be used for public facilities.

In 1998, the voters passed Referendum 49 which distributes a portion of the motor vehicle excise tax (MVET) to distressed counties in proportion to the 0.04 percent sales tax credit. These revenues may be broadly used for "criminal justice and other purposes."

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.

The 0.04 percent local option tax is increased to 0.08 percent for more specifically defined public facility purposes in distressed counties. The tax is credited against the state sales tax; therefore, consumers will see no increase in their rates.

Appropriation: None.

Fiscal Note: Requested on January 21, 1999.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 1999. (The sales tax credit takes effect on January 1, 2001.)