
SENATE BILL 5318

State of Washington

56th Legislature

1999 Regular Session

By Senators T. Sheldon and Rasmussen

Read first time 01/19/1999. Referred to Committee on Agriculture & Rural Economic Development.

1 AN ACT Relating to tax incentives in rural counties; and amending
2 RCW 82.60.020.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 82.60.020 and 1996 c 290 s 4 are each amended to read
5 as follows:

6 Unless the context clearly requires otherwise, the definitions in
7 this section apply throughout this chapter.

8 (1) "Applicant" means a person applying for a tax deferral under
9 this chapter.

10 (2) "Department" means the department of revenue.

11 (3) "Eligible area" means(~~:(a) A county in which the average~~
12 ~~level of unemployment for the three years before the year in which an~~
13 ~~application is filed under this chapter exceeds the average state~~
14 ~~unemployment for those years by twenty percent; (b) a county that has~~
15 ~~a median household income that is less than seventy-five percent of the~~
16 ~~state median household income for the previous three years; (c) a~~
17 ~~metropolitan statistical area, as defined by the office of federal~~
18 ~~statistical policy and standards, United States department of commerce,~~
19 ~~in which the average level of unemployment for the calendar year~~

1 immediately preceding the year in which an application is filed under
2 this chapter exceeds the average state unemployment for such calendar
3 year by twenty percent; ~~(d) a designated community empowerment zone~~
4 ~~approved under RCW 43.63A.700 or a county containing such a community~~
5 ~~empowerment zone; (e) a town with a population of less than twelve~~
6 ~~hundred persons in those counties that are not covered under (a) of~~
7 ~~this subsection that are timber impact areas as defined in RCW~~
8 ~~43.31.601; (f) a county designated by the governor as an eligible area~~
9 ~~under RCW 82.60.047; or (g) a county that is contiguous to a county~~
10 ~~that qualifies as an eligible area under (a) or (f) of this~~
11 ~~subsection)) a county with a population density of fewer than one~~
12 ~~hundred persons per square mile, as determined by the office of~~
13 ~~financial management.~~

14 (4)(a) "Eligible investment project" means:

15 (i) An investment project in an eligible area as defined in
16 subsection (3)((~~a~~), (~~b~~), (~~c~~), (~~e~~), or (~~f~~)) of this section; or

17 (ii) That portion of an investment project in an eligible area as
18 defined in subsection (3)((~~d~~) or (~~g~~)) of this section which is
19 directly utilized to create at least one new full-time qualified
20 employment position for each three hundred thousand dollars of
21 investment on which a deferral is requested in an application approved
22 before July 1, 1994, and for each seven hundred fifty thousand dollars
23 of investment on which a deferral is requested in an application
24 approved after June 30, 1994.

25 (b) The lessor/owner of a qualified building is not eligible for a
26 deferral unless the underlying ownership of the buildings, machinery,
27 and equipment vests exclusively in the same person, or unless the
28 lessor by written contract agrees to pass the economic benefit of the
29 deferral to the lessee in the form of reduced rent payments.

30 (c) For purposes of (a)(ii) of this subsection:

31 (i) The department shall consider the entire investment project,
32 including any investment in machinery and equipment that otherwise
33 qualifies for exemption under RCW 82.08.02565 or 82.12.02565, for
34 purposes of determining the portion of the investment project that
35 qualifies for deferral as an eligible investment project; and

36 (ii) The number of new full-time qualified employment positions
37 created by an investment project shall be deemed to be reduced by the
38 number of full-time employment positions maintained by the recipient in

1 any other community in this state that are displaced as a result of the
2 investment project.

3 (d) "Eligible investment project" does not include any portion of
4 an investment project undertaken by a light and power business as
5 defined in RCW 82.16.010(5), other than that portion of a cogeneration
6 project that is used to generate power for consumption within the
7 manufacturing site of which the cogeneration project is an integral
8 part, or investment projects which have already received deferrals
9 under this chapter.

10 (5) "Investment project" means an investment in qualified buildings
11 or qualified machinery and equipment, including labor and services
12 rendered in the planning, installation, and construction of the
13 project.

14 (6) "Manufacturing" means all activities of a commercial or
15 industrial nature wherein labor or skill is applied, by hand or
16 machinery, to materials so that as a result thereof a new, different,
17 or useful substance or article of tangible personal property is
18 produced for sale or commercial or industrial use and shall include the
19 production or fabrication of specially made or custom made articles.
20 "Manufacturing" also includes computer programming, the production of
21 computer software, and other computer-related services, and the
22 activities performed by research and development laboratories and
23 commercial testing laboratories.

24 (7) "Person" has the meaning given in RCW 82.04.030.

25 (8) "Qualified buildings" means construction of new structures, and
26 expansion or renovation of existing structures for the purpose of
27 increasing floor space or production capacity used for manufacturing
28 and research and development activities, including plant offices and
29 warehouses or other facilities for the storage of raw material or
30 finished goods if such facilities are an essential or an integral part
31 of a factory, mill, plant, or laboratory used for manufacturing or
32 research and development. If a building is used partly for
33 manufacturing or research and development and partly for other
34 purposes, the applicable tax deferral shall be determined by
35 apportionment of the costs of construction under rules adopted by the
36 department.

37 (9) "Qualified employment position" means a permanent full-time
38 employee employed in the eligible investment project during the entire
39 tax year.

1 (10) "Qualified machinery and equipment" means all new industrial
2 and research fixtures, equipment, and support facilities that are an
3 integral and necessary part of a manufacturing or research and
4 development operation. "Qualified machinery and equipment" includes:
5 Computers; software; data processing equipment; laboratory equipment;
6 manufacturing components such as belts, pulleys, shafts, and moving
7 parts; molds, tools, and dies; operating structures; and all equipment
8 used to control or operate the machinery.

9 (11) "Recipient" means a person receiving a tax deferral under this
10 chapter.

11 (12) "Research and development" means the development, refinement,
12 testing, marketing, and commercialization of a product, service, or
13 process before commercial sales have begun. As used in this
14 subsection, "commercial sales" excludes sales of prototypes or sales
15 for market testing if the total gross receipts from such sales of the
16 product, service, or process do not exceed one million dollars.

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