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SENATE BILL 5414

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State of Washington

56th Legislature

1999 Regular Session

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

Read first time 01/21/1999. Referred to Committee on Agriculture & Rural Economic Development.

1 AN ACT Relating to providing excise tax incentives for persons  
2 engaged in conducting help desk services from distressed counties;  
3 adding a new section to chapter 82.04 RCW; adding a new section to  
4 chapter 82.62 RCW; creating a new section; providing an effective date;  
5 and declaring an emergency.

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

7 NEW SECTION. **Sec. 1.** It is the intent of the legislature to  
8 attract and retain technology-based businesses in distressed counties.  
9 This act provides a tax incentive to those businesses that are engaged  
10 in the business of providing technical support services from distressed  
11 counties. Encouragement of these types of business will stimulate the  
12 information technology industry and be of benefit to the state economy  
13 in general. To further the impact and benefit of this program, this  
14 incentive is limited to those counties of the state that are  
15 characterized by unemployment or low income. The legislature finds  
16 that providing this targeted incentive will both increase its  
17 effectiveness and create a high technology work force in distressed  
18 counties.

1        NEW SECTION.    **Sec. 2.**    A new section is added to chapter 82.04 RCW  
2 to read as follows:

3        (1) Subject to the limits and provisions of this section, a credit  
4 is authorized against the tax otherwise due under this chapter for  
5 persons engaged in a distressed county in the business of providing  
6 information technology help desk services to third parties.

7        (2) To qualify for the credit, the help desk services must be  
8 conducted from a distressed county.

9        (3)(a) For the first eighty-four months in which the person is  
10 engaged in the activity of providing information technology help desk  
11 services in the distressed county, the amount of the credit shall be  
12 equal to one hundred percent of the amount of tax due under this  
13 chapter that is attributable to providing the services from the  
14 distressed county. In order to qualify for the credit under this  
15 subsection (3)(a), the county must meet the definition of "distressed  
16 county" at the time the person begins to conduct qualifying business in  
17 the county. If the county subsequently does not qualify for distressed  
18 county status, the person may continue to take the credit for the  
19 remaining time in the eighty-four months if all other conditions are  
20 met. A person who locates in a county during a period of time for  
21 which the county does not meet the distressed county status is not  
22 eligible to receive the credit under this subsection (3)(a).

23        (b) A person who is not eligible for the credit under (a) of this  
24 subsection is potentially eligible for credit under this subsection  
25 (3)(b). If the person is engaged in the activity of providing  
26 information technology help desk services in a distressed county, the  
27 amount of the credit shall equal sixty-eight percent of the amount of  
28 tax due under this chapter that is attributable to providing the  
29 service from the distressed county. In order to qualify for the credit  
30 under this subsection, the county must meet the definition of  
31 "distressed county" during the period of time for which the credit is  
32 being claimed. A person is not eligible for a credit under this  
33 subsection (3)(b) for activity conducted during any period of time the  
34 county does not have a distressed county status.

35        (c) A person who that has engaged in providing information  
36 technology help desk services in the distressed county before the  
37 effective date of this section qualifies for the credit under (a) of  
38 this subsection for any remaining time in the eighty-four months, after  
39 which time the person is potentially eligible for the credit under (b)

1 of this subsection. A person who has engaged in providing information  
2 technology help desk services in the distressed county before the  
3 effective date of this section for more than eighty-four months is  
4 potentially eligible for the credit under (b) of this subsection.

5 (4) No application is necessary for the tax credit. The person  
6 must keep records necessary for the department to verify eligibility  
7 under this section. These records include information relating to  
8 description of activity engaged in a distressed county by the person.

9 (5) If at any time the department finds that a person is not  
10 eligible for tax credit under this section, the amount of taxes for  
11 which a credit has been used is immediately due. The department shall  
12 assess interest, but not penalties, on the credited taxes for which the  
13 person is not eligible. The interest shall be assessed at the rate  
14 provided for delinquent excise taxes under chapter 82.32 RCW, shall be  
15 assessed retroactively to the date the tax credit was taken, and shall  
16 accrue until the taxes for which a credit has been used are repaid.

17 (6) The credit under this section may be used against any tax due  
18 under this chapter, but in no case may a credit earned during one  
19 calendar year be carried over to be credited against taxes incurred in  
20 a subsequent calendar year. No refunds may be granted for credits  
21 under this section.

22 (7) County eligibility under this section shall be based on the  
23 same list as published by the department under chapter 82.60 RCW. The  
24 eligibility period is from July 1st of each year to June 30th of the  
25 next year.

26 (8) A person taking tax credits under this section shall make an  
27 annual report to the department. The report shall be in a letter form  
28 and shall include the following information: Type of activity in which  
29 the person is engaged in the county, number of employees in the  
30 distressed county, and how long the person has been located in the  
31 county. The report must be filed by January 30th of each year for  
32 which credit was claimed during the previous year.

33 (9) Transfer of ownership does not affect credit eligibility;  
34 however, the credit is available to the successor only if the  
35 eligibility conditions of this section are met.

36 (10) As used in this section:

37 (a) "Distressed county" means either (i) a county in which the  
38 average level of unemployment for the previous three years exceeds the  
39 average state unemployment for those years by twenty percent or (ii) a

1 county that has a median household income that is less than seventy-  
2 five percent of the state median household income for the previous  
3 three years.

4 (b) "First eighty-four months" means the eighty-four months of  
5 operation in a county following commencement of business activity.  
6 Business activity is deemed to commence upon the act of engaging in the  
7 business of providing the help desk services from the county.

8 (c) "Information technology help desk services" means the following  
9 services performed using electronic and telephonic communication:

- 10 (i) Software maintenance;
- 11 (ii) Software diagnostics and troubleshooting;
- 12 (iii) Software installation;
- 13 (iv) Software repair;
- 14 (v) Software information and training; and
- 15 (vi) Software upgrade.

16 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.62 RCW  
17 to read as follows:

18 A person is not eligible to receive a credit under this chapter if  
19 the person is receiving credit under RCW 82.04.44525 or is receiving a  
20 credit under section 2 of this act.

21 NEW SECTION. **Sec. 4.** This act is necessary for the immediate  
22 preservation of the public peace, health, or safety, or support of the  
23 state government and its existing public institutions, and takes effect  
24 July 1, 1999.

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