

SENATE BILL REPORT

E2SSB 5094

As Passed Senate, June 13, 2001

Title: An act relating to sales and use tax exemptions for call centers in distressed areas.

Brief Description: Authorizing sales and use tax exemptions for call centers.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators T. Sheldon, Sheahan, Gardner, Honeyford, Hargrove and Costa).

Brief History:

Committee Activity: Economic Development & Telecommunications: 1/24/01, 2/6/01 [DPS].

Ways & Means: 2/22/01, 4/2/01 [DP2S].

Passed Senate: 4/9/01, 48-0.

First Special Session: Passed Senate: 5/23/01, 40-0.

Second Special Session: Passed Senate: 6/13/01, 35-13.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5094 be substituted therefor, and the substitute bill do pass.

Signed by Senators T. Sheldon, Chair; B. Sheldon, Vice Chair; Finkbeiner, Haugen, McCaslin and Stevens.

Staff: William Bridges (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5094 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Hewitt, Honeyford, Kohl-Welles, Long, Parlette, Rasmussen, Roach, Sheahan, B. Sheldon, Snyder, Thibaudeau, Winsley and Zarelli.

Staff: David Schumacher (786-7474)

Background: In 1985, the Legislature created a sales and use tax deferral program for businesses that located to a distressed county. Under this program, a manufacturer or research and development company could qualify for a three-year deferral of taxes on machinery and equipment purchases, as well as construction costs, if the business located to a distressed county. The tax deferral program was changed to a tax exemption program in 1994.

In 1993, the Legislature created the community empowerment zone program to encourage public and private reinvestment in designated areas of economically distressed communities. There are currently five community empowerment zones located in Bremerton, Tacoma, Yakima, Duwamish (King County), and White Center (King County).

In 1999, the Legislature changed the definition of "distressed county" to "rural county." A rural county has a population density of less than 100 persons per square mile. Each year, the Office of Financial Management determines which counties are eligible for rural county status. There are currently 31 rural counties.

Summary of Bill: A sales and use tax exemption on machinery and equipment purchases, as well as construction costs, is provided for new and existing "call centers" that are located in rural counties and community empowerment zones.

Call centers are businesses employing at least 50 employees who are engaged in telecommunications activities involving financial transactions, technical support operations, and customer services.

Appropriation: None.

Fiscal Note: Requested on January 11, 2001.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For (Economic Development & Telecommunications): Companies can bring jobs, training, and revenue to rural areas. But locating in rural areas can be expensive. For example, the stock of large commercial buildings is low, which requires expensive new construction. In addition, training costs are higher and advanced telecommunications services are expensive or nonexistent. Washington's tax structure also deters many companies from locating to Washington State. This bill will help level the playing field between urban and rural areas as well as between Washington and other states.

Testimony Against (Economic Development & Telecommunications): None.

Testified (Economic Development & Telecommunications): Ron Newbry, Wash. Econ. Dev. Assn (pro); Brian Sterling, Safe Harbor Tech. Corp. (pro); Scott Taylor, Wash. Pub. Ports Assn. (pro); Mike Woodin, AT&T (pro).

Testimony For (Ways & Means): Exemptions for construction and for machinery purchases will lead to business expansion in rural Washington.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): Brian Sterling, Safe Harbor Technology Corp. (pro).