SENATE BILL REPORT SB 5095

As of January 24, 2001

Title: An act relating to economic development in rural counties.

Brief Description: Maintaining economic development in rural counties.

Sponsors: Senators T. Sheldon, Sheahan, Gardner, Honeyford, Hargrove, Rasmussen, Costa,

Haugen and McCaslin.

Brief History:

Committee Activity: Economic Development & Telecommunications: 1/24/01.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TELECOMMUNICATIONS

Staff: Andrea McNamara (786-7483)

Background: The distressed area business and occupation (B&O) tax credit program for new employees provides a credit against the B&O tax for each new eligible employment position filled and maintained by qualified businesses located in designated areas of the state.

Qualified businesses include manufacturing, research and development, and computer-related service businesses that locate or expand in an eligible area of the state. Eligible area designations have been changed by the Legislature over time, but currently they include all rural counties and community empowerment zones. Businesses must create a new work force in Washington, so credit is not available for positions that are transferred from an established site in the state. Businesses may also qualify by expanding their existing work force at an established site by a 15 percent average increase.

A business may earn a \$2,000 credit for each new qualified employment position with annual wages and benefits of \$40,000 or less; or a credit of \$4,000 for each new employment position with wages and benefits over \$40,000 annually. The Department of Revenue processes more than 100 applications for B&O credits under this program each fiscal year and certifies nearly \$7.5 million in credits. The program is capped at \$7.5 million per fiscal year.

Summary of Bill: The business and occupation tax credit for job creation in rural areas is expanded to include jobs that are created as a result of the relocation of a business into a rural

area or community empowerment zone. It remains impermissible to use the tax credits to displace existing jobs in any community empowerment zone.

Appropriation: None.

Fiscal Note: Requested on January 17, 2001.

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