
SENATE BILL 6214

State of Washington 57th Legislature 2001 Third Special Session

By Senators T. Sheldon, Honeyford, Sheahan, McCaslin and Deccio

Read first time 07/18/2001. Referred to Committee on Transportation.

1 AN ACT Relating to tax incentives in rural counties and community
2 empowerment zones; amending RCW 82.60.010, 82.60.020, 82.62.010,
3 82.62.030, and 82.62.045; adding a new section to chapter 82.08 RCW;
4 adding a new section to chapter 82.12 RCW; and creating new sections.

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

6 NEW SECTION. **Sec. 1.** Washington has successfully worked to
7 diversify the economy of Washington state in recent years. As part of
8 a comprehensive strategy for addressing the severe Puget Sound
9 congestion problem, the legislature recognizes the importance of
10 addressing the geographic diversification of economic development
11 within Washington. While economic development is causing problems in
12 the Puget Sound region, it is desperately needed in rural Washington.
13 The legislature intends to encourage businesses to move to rural
14 counties, providing both a solution to the congestion problem and a
15 means to turn around the economies of rural Washington.

16 **Sec. 2.** RCW 82.60.010 and 1985 c 232 s 1 are each amended to read
17 as follows:

1 The legislature finds that there are several areas in the state
2 that are characterized by very high levels of unemployment and poverty.
3 The (~~legislative~~[legislature]) legislature further finds that
4 economic stagnation is the primary cause of this high unemployment rate
5 and poverty; that new state policies are necessary in order to promote
6 economic stimulation and new employment opportunities in these rural
7 and distressed areas; and that policies providing incentives for
8 economic growth in these rural and distressed areas are essential. For
9 these reasons, the legislature hereby establishes a tax deferral
10 program to be effective solely in rural and distressed areas and under
11 circumstances where the deferred tax payments are for investments or
12 costs that result in the creation of a specified number of jobs. The
13 legislature declares that this limited program serves the vital public
14 purpose of creating employment opportunities and reducing poverty in
15 the rural and distressed areas of the state.

16 **Sec. 3.** RCW 82.60.020 and 1999 sp.s. c 9 s 2 are each amended to
17 read as follows:

18 Unless the context clearly requires otherwise, the definitions in
19 this section apply throughout this chapter.

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

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

23 (3) "Eligible area" means a rural county (~~(with fewer than one~~
24 ~~hundred persons per square mile as determined annually by the office of~~
25 ~~financial management and published by the department of revenue~~
26 ~~effective for the period July 1st through June 30th)) as defined in
27 this section.~~

28 (4)(a) "Eligible investment project" means an investment project in
29 an eligible area as defined in subsection (3) of this section.

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

35 (c) "Eligible investment project" does not include any portion of
36 an investment project undertaken by a light and power business as
37 defined in RCW 82.16.010(5), other than that portion of a cogeneration
38 project that is used to generate power for consumption within the

1 manufacturing site of which the cogeneration project is an integral
2 part, or investment projects which have already received deferrals
3 under this chapter.

4 (5) "Investment project" means an investment in qualified buildings
5 or qualified machinery and equipment, including labor and services
6 rendered in the planning, installation, and construction of the
7 project.

8 (6) "Manufacturing" means the same as defined in RCW 82.04.120.
9 "Manufacturing" also includes computer programming, the production of
10 computer software, and other computer-related services, and the
11 activities performed by research and development laboratories and
12 commercial testing laboratories.

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

14 (8) "Qualified buildings" means construction of new structures, and
15 expansion or renovation of existing structures for the purpose of
16 increasing floor space or production capacity used for manufacturing
17 and research and development activities, including plant offices and
18 warehouses or other facilities for the storage of raw material or
19 finished goods if such facilities are an essential or an integral part
20 of a factory, mill, plant, or laboratory used for manufacturing or
21 research and development. If a building is used partly for
22 manufacturing or research and development and partly for other
23 purposes, the applicable tax deferral shall be determined by
24 apportionment of the costs of construction under rules adopted by the
25 department.

26 (9) "Qualified machinery and equipment" means all new industrial
27 and research fixtures, equipment, and support facilities that are an
28 integral and necessary part of a manufacturing or research and
29 development operation. "Qualified machinery and equipment" includes:
30 Computers; software; data processing equipment; laboratory equipment;
31 manufacturing components such as belts, pulleys, shafts, and moving
32 parts; molds, tools, and dies; operating structures; and all equipment
33 used to control or operate the machinery.

34 (10) "Recipient" means a person receiving a tax deferral under this
35 chapter.

36 (11) "Research and development" means the development, refinement,
37 testing, marketing, and commercialization of a product, service, or
38 process before commercial sales have begun. As used in this
39 subsection, "commercial sales" excludes sales of prototypes or sales

1 for market testing if the total gross receipts from such sales of the
2 product, service, or process do not exceed one million dollars.

3 (12) "Rural county" means a county with fewer than one hundred
4 persons per square mile or less than two hundred fifty square miles as
5 determined annually by the office of financial management and published
6 by the department of revenue effective for the period July 1st through
7 June 30th.

8 **Sec. 4.** RCW 82.62.010 and 2001 c 320 s 12 are each amended to read
9 as follows:

10 Unless the context clearly requires otherwise, the definitions in
11 this section apply throughout this chapter.

12 (1) "Applicant" means a person applying for a tax credit under this
13 chapter.

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

15 (3) "Eligible area" means (~~an area~~) a rural county as defined in
16 RCW 82.60.020.

17 (4)(a) "Eligible business project" means manufacturing or research
18 and development activities which are conducted by an applicant in an
19 eligible area at a specific facility, provided the applicant's average
20 full-time qualified employment positions at the specific facility will
21 be at least fifteen percent greater in the year for which the credit is
22 being sought than the applicant's average full-time qualified
23 employment positions at the same facility in the immediately preceding
24 year.

25 (b) "Eligible business project" does not include any portion of a
26 business project undertaken by a light and power business as defined in
27 RCW 82.16.010(5) or that portion of a business project creating
28 qualified full-time employment positions outside an eligible area.

29 (5) "Manufacturing" means the same as defined in RCW 82.04.120.
30 "Manufacturing" also includes computer programming, the production of
31 computer software, and other computer-related services, and the
32 activities performed by research and development laboratories and
33 commercial testing laboratories.

34 (6) "Person" has the meaning given in RCW 82.04.030.

35 (7) "Qualified employment position" means a permanent full-time
36 employee employed in the eligible business project during the entire
37 tax year.

38 (8) "Tax year" means the calendar year in which taxes are due.

1 (9) "Recipient" means a person receiving tax credits under this
2 chapter.

3 (10) "Research and development" means the development, refinement,
4 testing, marketing, and commercialization of a product, service, or
5 process before commercial sales have begun. As used in this
6 subsection, "commercial sales" excludes sales of prototypes or sales
7 for market testing if the total gross receipts from such sales of the
8 product, service, or process do not exceed one million dollars.

9 **Sec. 5.** RCW 82.62.030 and 2001 c 320 s 13 are each amended to read
10 as follows:

11 (1) A person shall be allowed a credit against the tax due under
12 chapter 82.04 RCW as provided in this section. The credit shall equal:

13 (a) Four thousand dollars for each qualified employment position with
14 wages and benefits greater than forty thousand dollars annually that is
15 directly created in an eligible business and (b) two thousand dollars
16 for each qualified employment position with wages and benefits less
17 than or equal to forty thousand dollars annually that is directly
18 created in an eligible business.

19 (2) The department shall keep a running total of all credits
20 allowed under this chapter during each fiscal year. The department
21 shall not allow any credits which would cause the total to exceed
22 ~~((seven))~~ eight million five hundred thousand dollars in any fiscal
23 year, however no less than one million dollars per fiscal year may be
24 allocated toward credits for qualified employment positions created as
25 a result of a business relocation or expansion to an eligible area from
26 a county with a population greater than five hundred thousand. If all
27 or part of an application for credit is disallowed under this
28 subsection, the disallowed portion shall be carried over to the next
29 fiscal year. However, the carryover into the next fiscal year is only
30 permitted to the extent that the cap for the next fiscal year is not
31 exceeded.

32 (3) No recipient may use the tax credits to decertify a union or to
33 displace existing jobs in any ~~((community in the state))~~ rural county
34 or designated community empowerment zone, approved under RCW
35 43.31C.020.

36 (4) The credit may be used against any tax due under chapter 82.04
37 RCW, and may be carried over until used. No refunds may be granted for
38 credits under this section.

1 **Sec. 6.** RCW 82.62.045 and 1999 c 164 s 307 are each amended to
2 read as follows:

3 (1) For the purposes of this section "eligible area" also means a
4 designated community empowerment zone approved under RCW ((43.63A.700))
5 43.31C.020.

6 (2) An eligible business project located within an eligible area as
7 defined in this section qualifies for a credit under this chapter for
8 those employees who at the time of hire are residents of the community
9 empowerment zone in which the project is located, if the fifteen
10 percent threshold is met. As used in this subsection, "resident" means
11 the person makes his or her home in the community empowerment zone. A
12 mailing address alone is insufficient to establish that a person is a
13 resident for the purposes of this section.

14 (3) All other provisions and eligibility requirements of this
15 chapter apply to applicants eligible under this section.

16 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.08 RCW
17 to read as follows:

18 (1) The tax levied by RCW 82.08.020 does not apply to sales to a
19 person, located in an eligible area, of machinery and equipment used
20 directly in a call center operation, or to sales of or charges made for
21 labor and services rendered in respect to installing, repairing,
22 cleaning, altering, or improving the machinery and equipment, but only
23 if the purchaser provides the seller with an exemption certificate in
24 a form and manner prescribed by the department. The seller shall
25 retain a copy of the certificate for the seller's files.

26 (2) The tax levied by RCW 82.08.020 does not apply to constructing
27 or improving of buildings or other structures, or sales of or charges
28 made for labor and services rendered in respect to constructing or
29 improving of buildings or other structures, located in eligible areas,
30 that are used directly as a call center, but only if the purchaser
31 provides the seller with an exemption certificate in a form and manner
32 prescribed by the department. The seller shall retain a copy of the
33 certificate for the seller's files.

34 (3) For purposes of this section:

35 (a) "Buildings" means only those structures used directly in a call
36 center operation. If a building is used partly for a call center
37 operation and partly for other purposes, the applicable tax exemption
38 shall be determined by apportionment of the costs of construction under

1 rules adopted by the department. The term "buildings" also includes
2 machinery and equipment that is permanently affixed to and becomes a
3 physical part of a building, such as utility systems for heating,
4 ventilation, air conditioning, plumbing, phones, or electrical.

5 (b) "Call centers" means a business operation employing fifty or
6 more employees, who are engaged in telecommunications business
7 activities involving financial transactions, technical support
8 operations, and customer services.

9 (c) "Eligible area" means a community empowerment zone, as defined
10 in chapter 43.31C RCW and a county with fewer than one hundred persons
11 per square mile or a county smaller than two hundred twenty-five square
12 miles as determined annually by the office of financial management and
13 published by the department of revenue effective for the period July
14 1st through June 30th.

15 (d)(i) "Machinery and equipment" means commercial fixtures,
16 devices, and support facilities, and tangible personal property that
17 becomes an ingredient or component thereof, including repair parts and
18 replacement parts. "Machinery and equipment" includes electronic
19 communications equipment, communications systems infrastructure
20 components, computer software, computer hardware, associated support
21 equipment that is necessary to maintain the communications operations
22 of a call center, and office furniture.

23 (ii) "Machinery and equipment" does not include:

24 (A) Hand-powered tools; and

25 (B) Property with a useful life of less than one year.

26 (4) A person claiming the exemption under this section shall make
27 an annual report to the department. The report shall be in a letter
28 form and shall include the following information: The type of
29 activity, the location of the person, how long the person has been
30 located in the county, and the taxpayer name and registration number.
31 The report must be filed by January 30th of each year in which the
32 exemption was claimed during the previous year. Failure to file a
33 report will not result in the loss of eligibility under this section.
34 However, the department, through its research division, shall contact
35 taxpayers who have not filed the report and obtain the data from the
36 taxpayer or assist the taxpayer in the filing of the report, so that
37 the data and information necessary to measure the program's
38 effectiveness is maintained.

1 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.12 RCW
2 to read as follows:

3 (1) The provisions of this chapter do not apply in respect to the
4 use by a business, located within an eligible area, of machinery and
5 equipment used directly in a call center.

6 (2) The definitions in section 7 of this act apply to this section.

7 (3) A person claiming the exemption under this section shall make
8 an annual report to the department. The report shall be in a letter
9 form and shall include the following information: The type of
10 activity, the location of the person, how long the person has been
11 located in the county, and the taxpayer name and registration number.
12 The report must be filed by January 30th of each year in which the
13 exemption was claimed during the previous year. Failure to file a
14 report will not result in the loss of eligibility under this section.
15 However, the department, through its research division, shall contact
16 taxpayers who have not filed the report and obtain the data from the
17 taxpayer or assist the taxpayer in the filing of the report, so that
18 the data and information necessary to measure the program's
19 effectiveness is maintained.

20 NEW SECTION. **Sec. 9.** This act may be known and cited as the Puget
21 Sound congestion relief act.

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