

# SENATE BILL REPORT

## E3SSB 5319

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As Passed Senate, March 4, 2004

**Title:** An act relating to tax incentives for call centers in rural areas of the state.

**Brief Description:** Providing tax incentives for call centers in rural areas of the state.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators T. Sheldon, Hale and Esser).

**Brief History:**

**Committee Activity:** Economic Development: 2/5/03, 2/19/03 [DPS-WM]; 1/23/04, 2/4/04 [DP2S-WM].

Ways & Means: 2/25/03, 4/7/03, [DPS (EC)]; 2/9/04, 2/23/04 [DP3S].

Passed Senate: 3/4/04, 47-1.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

**Majority Report:** That Second Substitute Senate Bill No. 5319 be substituted therefor, and the second substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators T. Sheldon, Chair; Zarelli, Vice Chair; Benton, Hale, Murray, Schmidt and Shin.

**Staff:** Rhoda Donkin (786-7198)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Third Substitute Senate Bill No. 5319 be substituted therefor, and the third substitute bill do pass.

Signed by Senators Zarelli, Chair; Parlette, Vice Chair; Hewitt, Vice Chair, Capital Budget Chair; Carlson, Doumit, Fraser, Hale, Honeyford, Johnson, Pflug, Prentice, Rasmussen, Roach, Sheahan, B. Sheldon and Winsley.

**Staff:** Catherine Suter (786-7442)

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

In 1999, the Legislature established a 100 percent B&O tax credit for businesses engaged in help desk services in rural counties. This expired December 31, 2003.

Also in 1999, the Legislature changed the criterion it uses in many instances from "distressed county" to "rural county," which is defined as a county with less than 100 persons per square mile. There are currently 31 rural counties.

**Summary of Bill:** Sales and use tax exemptions are provided to call centers that are located in rural counties, community empowerment zones, or counties smaller than 225 square miles that commence operation after July 1, 2004:

1. machinery and equipment purchases,
2. installation services for the machinery and equipment,
3. construction labor and material costs for new buildings, and
4. network telephone services.

Call centers must have at least 25 employees who provide customer service and support by responding to inbound telephone calls and electronic contacts, using computer-automated equipment and using an electronic medium or the telephone. Call centers may not engage in telemarketing or sales soliciting, nor may they relocate from one area of the state to an eligible area or change identity in order to qualify for this exemption.

The Office of Financial Management must submit a report to the Senate by July 31, 2004 on the prevalence of Washington State contracts for the provision of goods and services out of this state. The report must include an accounting of the total amount of funds expended and the number of contracts executed between state agencies and businesses outside of the state.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2004.

**Testimony For:** This sales and use tax exemption for call centers is needed to attract out-of-state business and to encourage Washington businesses to locate and expand in a rural county (or CEZ). Such incentives translate into jobs. There is a myth that it is less expensive to run a business in a rural county vs. urban. This is not true; thus, we need incentives. Also, these incentives will be a great recruitment tool to attract new businesses to Washington State. Also, the jobs created tend to be well paid.

**Testimony Against:** None.

**Testified:** PRO: Rick Jensen, Safe Harbor Technical Corp.; Tami Garrow, Satsop Development Park; Ron Newbry, WEDA.