SENATE BILL REPORT
SB 6752

As Reported By Senate Committee On:
Economic Development, Trade & Management, February 06, 2008

Title: An act relating to providing new market development tax credits.

Brief Description: Providing new market development tax credits.

Sponsors: Senators Kastama, Shin and Hatfield.

Brief History:
  Committee Activity: Economic Development, Trade & Management: 1/29/08, 2/6/08[DPS-WM].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

Majority Report: That Substitute Senate Bill No. 6752 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.
    Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Zarelli, Ranking Minority Member; Kauffman, King and Shin.

Staff: Jack Brummel (786-7428)

Background: In 2007 the Legislature authorized cities, towns, counties, public corporations, and port districts to create partnerships and limited liability companies, and enter into public or private agreements, to implement the federal New Markets Tax Credit (NMTC) Program. The program uses federal tax credits to stimulate capital investment in low-income and economically distressed areas through Community Development Entities (CDEs). CDEs serve and provide investment capital in low-income communities. A CDE must maintain accountability to residents of low-income communities and must be certified as a CDE by the U.S. Treasury. Certified CDEs are eligible to compete nationally for an allocation of NMTCs, and, if successful, may offer taxpayers who make qualified equity investments in the CDE a federal income tax credit equal to 39 percent of the cost of the investment. In turn, the CDE must use the investment for community development projects in low-income or economically distressed areas. The federal government allocated tax credits for $3.9 billion in investments to CDEs nationwide last year. Some states have provided state incentives to encourage CDE investments.

Summary of Bill (Recommended Substitute): Business and occupation tax credits and insurance premium credits are authorized for those who invest in CDEs to benefit businesses in low-income communities of the state consistent with the requirements of the federal NMTC program. The credit can't exceed an investors tax liability in any year, but may be carried

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forward for up to five years. Credits are to be allocated on a first in time basis. Some restrictions apply to insurance companies making investments that do not apply to other investors.

Investors are required to make annual reports to the Department of Revenue regarding employment, wages, and benefits. Failure to report results in the exempted taxes for the year becoming due and payable.

EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT COMMITTEE (Recommended Substitute): Technical corrections were made. A provision was added that, in making determinations of the financial condition of an insurer, the investments allowed in the bill will not be considered.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on January 28, 2008.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: Difficulty in finding capital can result in failure for small and start-up companies. The legislation allows the state to bring in federal dollars that are on the table. There is a seven year history of new monies going into low-income communities. This will attract investment from national firms.

Persons Testifying: PRO: Lincoln Ferris, Coalition for Investing in Washington Jobs, Advantage Capital; Ryan Brennan, Advantage Capital.