

SENATE BILL REPORT

SB 5402

As of February 2, 2011

Title: An act relating to tax deferrals for economic development investment projects in innovation partnership zones.

Brief Description: Concerning tax deferrals for economic development investment projects in innovation partnership zones.

Sponsors: Senators Chase, Kastama, Hatfield, Shin, Hobbs, Prentice, Pridemore and McAuliffe.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 2/03/11.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Jack Brummel (786-7428)

Background: The Legislature established Innovative Partnership Zones (IPZs) in 2007. IPZs are designated local areas that have research capacity, globally competitive firms in research-based industries, and training capacity. IPZs must have identifiable boundaries within which concentrated efforts will be made to connect innovative researchers, entrepreneurs, investors, industry associations or clusters, and training providers. IPZs are eligible for funds as provided by the Legislature or Governor. IPZs are designated by the Department of Commerce with the advice of the Economic Development Commission. IPZ designation is for a period of four years, which may be renewed through a reapplication process.

The Tax Deferral Program for Investment Projects in Rural Counties grants a deferral of sales and use tax for construction of manufacturing facilities, research and development laboratories, commercial testing laboratories, and vegetable seed conditioning facilities located in counties with high unemployment rates and Community Empowerment Zones (CEZ).

The sales and use taxes on qualified construction and equipment costs for such businesses located in these specific geographic areas are waived when all program requirements have been met and verified. These waiver requirements include (1) an annual report covering each calendar year that must be filed by March 31 of the following year; (2) a verification by the Department of Revenue (DOR) that all purchases are eligible; (3) use of the facility for

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qualified activities during the year in which the investment project is certified as operationally complete by the DOR and for each of the following seven years; and (4) that employment requirements have been met for a business located in a CEZ.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): The tax deferral program is available to companies located in IPZs beginning July 1, 2011.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2011