

SENATE BILL REPORT

SB 5734

As of February 16, 2011

Title: An act relating to tax credits for economic development for eligible business projects in rural counties.

Brief Description: Concerning tax credits for economic development for eligible business projects in rural counties.

Sponsors: Senators Kastama, Chase and Shin.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 2/14/11, 2/16/11.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Jack Brummel (786-7428)

Background: The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state with no deductions for the costs of doing business. Credits against the B&O tax may be awarded for a variety of activities including aerospace preproduction development and customized training.

A credit against the B&O tax is available for manufacturing or research and development activities that create new jobs in rural counties or community empowerment zones. The amount of the B&O tax credit is based on wages and benefits paid for new employment positions. The B&O credit is \$2,000 for new positions with annual benefits and wages less than or equal to \$40,000. The credit is \$4,000 for new positions with annual wages and benefits of more than \$40,000. Employment positions must be full-time to qualify. To qualify for the credit, a firm must increase its total employment in an eligible area by at least 15 percent over the preceding four-quarter period. This rural county tax credit is limited to \$7.5 million in any fiscal year.

Summary of Bill: The rural county tax credit is made available to firms investing at least \$1 million in new equipment or spending at least \$50,000 on employee skill training. The credit is 1 percent of the value of the investment in new equipment and 100 percent of the expenditure on employee skill training, but no more than \$3,000 per worker trained. To get

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the \$4,000 credit for new positions, the annual benefits and wages must be greater than \$50,000; and for the \$2,000 credit, the annual benefits and wages may be \$50,000 or less.

The credit is not available for training expenditures for which a credit is claimed under the Washington Customized Employment Training program.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2011.