

SENATE BILL REPORT

SB 5112

As Reported by Senate Committee On:
Trade & Economic Development, January 28, 2015

Title: An act relating to a pilot program that provides incentives for investments in Washington state job creation and economic development.

Brief Description: Creating a pilot program that provides incentives for investments in Washington state job creation and economic development.

Sponsors: Senators Brown, Parlette and Benton.

Brief History:

Committee Activity: Trade & Economic Development: 1/21/15, 1/28/15 [DPS-WM, DNP].

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5112 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Brown, Chair; Braun, Vice Chair; Angel and Ericksen.

Minority Report: Do not pass.

Signed by Senators Chase, Ranking Minority Member; Frockt and McCoy.

Staff: Jeff Olsen (786-7428)

Background: Economic development policies are designed to improve the economic wellbeing of a community through efforts that include job creation, job retention, infrastructure improvements, workforce training, tax base enhancements, and improvements to quality of life. State and local governments may utilize a variety of tools to attract economic investment in their communities. In Washington there are a variety of tax polices including preferential tax rates, credits, exemptions, deductions, and deferrals that are designed to enhance economic activity, create or retain jobs, and attract business investments. For example the High Unemployment County Sales & Use Tax Deferral/Waiver for Manufacturing Facilities, established in 2010, encourages job creation in areas with high unemployment by offering certain businesses a sales and use tax deferral on construction of new buildings or purchases of qualifying machinery and equipment. Businesses that maintain a qualified activity for seven years after completion of the project are no longer required to repay deferred sales and use taxes.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill (Recommended Substitute): The Invest in Washington pilot program is established to evaluate the effectiveness of providing a tax incentive for businesses that invest in manufacturing facilities and equipment and reinvest those tax savings in employee training programs. The pilot program consists of up to five qualified industrial facilities, of which at least two must be located in eastern Washington. An eligible investment project includes up to \$10 million in sales and use tax on construction costs or purchases of qualified machinery and equipment. Amounts paid for the construction of qualified buildings, machinery, and equipment are eligible for a sales and use tax deferral. To qualify for the deferral, the person must apply to the Department of Revenue before beginning construction of the investment or acquisition of the equipment or machinery. The Department must award deferrals to qualifying applicants on a first-in-time basis. The recipient of the deferral must begin repaying the deferred taxes five years after the date that the project is complete. There is no interest charged on deferred taxes, and the taxes may be repaid over a ten-year period in equal annual payments.

Deferred taxes, when repaid, are deposited in the newly created Invest in Washington Account. The Invest in Washington Account, administered by the State Board for Community and Technical Colleges, must be used to support customized job training programs, job skills programs, job readiness training, workforce professional development, and to assist employers with state-approved apprenticeship programs for manufacturing and production occupations. The Department of Revenue must notify the State Treasurer by June 1, 2016, and annually thereafter, the amount of repaid deferred taxes contributed to the Invest in Washington Account.

The Joint Legislative Audit and Review Committee must measure the effectiveness of the credit for creating or retaining jobs and providing funding for job training.

EFFECT OF CHANGES MADE BY TRADE & ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute): Technical changes are made including clarifying definitions and terms for implementing the pilot sales tax deferral program and completing annual surveys. The Department of Revenue must award deferrals to qualifying applicants on a first-in-time basis.

Appropriation: None.

Fiscal Note: Available.

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: Washington does not have as many economic development tools as other states to attract new investments, and the pilot program offers a new tool to attract business development. Predictable revenues for training will make it more effective to target monies for training programs that manufacturers need. Manufacturers comprise a very important part of the economy, and they need fast and flexible training programs to ensure that there are trained workers available to support the manufacturing industry.

Persons Testifying: PRO: Senator Brown, prime sponsor; Noah Reandeu, WA Economic Development Assn.; Kathy Goebel, State Board for Community and Technical Colleges; Amy Anderson, Assn. of WA Business.