

SENATE BILL REPORT

SB 5230

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, Chase, Angel, Benton, Rivers, Schoesler, Bailey, Parlette, Becker, Warnick and Dammeier.

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. 5230 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 and 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

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maintain a qualified activity for seven years after completion of the project are no longer required to repay deferred taxes.

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 reinvest all or a portion of 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. A person is allowed a credit against the Business and Occupation (B&O) tax on a portion of the costs incurred for the construction of an industrial facility. The credit equals the state and local retail sales taxes paid on up to \$10 million in construction costs. Sales and use tax credits earned in excess of B&O taxes due may be carried over to credit against B&O taxes due in subsequent years or donated to the Invest in Washington Account for worker training programs.

The Invest in Washington Pilot program allows a person to contribute all or any portion of their approved tax credit to the 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 credits 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): Clarifies that sales and use tax credits earned in excess of B&O taxes due may be carried over to credit against B&O taxes due in subsequent years or donated to the Invest in Washington Account for worker training programs.

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 State has a Business and Occupation (B&O) tax that is unique, and we compete with other states for new business investments. The pilot program provides B&O tax relief after a business expansion or new business investment has been made. The pilot program is an appropriate way to test a new tax incentive, and it provides flexibility for the taxpayer to choose either a B&O tax credit or to invest in training programs. The pilot is balanced requiring projects across the state.

Persons Testifying: PRO: Senator Brown, prime sponsor; Amber Carter, Assn. of WA Business.