

SENATE BILL REPORT

SB 5540

As of February 25, 2019

Title: An act relating to the designation and support of projects of statewide significance.

Brief Description: Concerning the designation and support of projects of statewide significance.

Sponsors: Senators Braun and Wilson, L..

Brief History:

Committee Activity: State Government, Tribal Relations & Elections: 2/15/19.

Brief Summary of Bill

- Redefines a project of statewide significance.
- Alters the process for approval, requirements of agreements, and project facilitation for a project of statewide significance.
- Allows a credit against business and occupation tax or public utility tax equal to 5 percent for a person investing in a project of statewide significance, subject to certain requirements and limitations.
- Establishes a limit of \$100 million for the tax credit.
- Requires Department of Revenue provide notification if the tax credit limitation is reached and report to the Legislature within one year after reaching the credit limitation on the effect of the credit.

SENATE COMMITTEE ON STATE GOVERNMENT, TRIBAL RELATIONS & ELECTIONS

Staff: Melissa Van Gorkom (786-7491)

Background: Projects of Statewide Significance. To qualify for designation as a project of statewide significance, a project must meet capital investment or job creation requirements. Border-crossing projects, private projects investing in manufacturing, research, and development, projects that will provide a net environmental benefit, a project that will further commercialization of an innovation, and a project designated by the Legislature may all be

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.

designated as projects of statewide significance. An application for designation as a project of statewide significance must be submitted to the Department of Commerce (Commerce). The application must include a letter of approval from jurisdictions where a project is located and must commit to providing the local staff necessary to expedite the completion of a project. Projects of statewide significance that are designated by the Legislature are exempted from the application requirements.

Counties and cities requesting a project's designation as one of statewide significance must ensure the participation of local officials on the public-private team expediting a project's completion. The Office of Regulatory Assistance (ORA) must provide facilitation and coordination services to expedite completion of industrial projects of statewide significance. The project proponents may provide the funding necessary for the local jurisdiction to hire the staff required to expedite the process.

Business and Occupation Tax. Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss.

Public Utility Tax. The public utility tax (PUT) is a tax on public service businesses, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. Income from the utility operations is taxed under the PUT in lieu of the B&O tax.

Summary of Bill: Projects of Statewide Significance. Effective immediately, a project of statewide significance is redefined as a project designated by Commerce that is a private development with private capital investment in manufacturing, research and development, a computer data center, renewable energy generation or facilities to store and handle goods moved through Washington ports.

To qualify as a project of statewide significance the project must be completed after January 1, 2020, and have a projected increase of 50 or more full-time employment positions in a rural county, or 250 or more full-time employment positions in a county that is not rural. A project of statewide significance must also meet certain investment criteria based on county population. A county with a population:

- less than or equal to 20,000 must have a private capital investment of \$5 million;
- greater than 20,000 but no more than 50,000 must have a private capital investment of \$10 million;
- greater than 50,000 but no more than 100,000 must have a private capital investment of \$15 million;
- greater than 100,000 but no more than 200,000 must have a private capital investment of \$20 million;
- greater than 200,000 but no more than 400,000 must have a private capital investment of \$30 million;
- greater than 400,000 but no more than 1 million must have a private capital investment of \$50 million; and
- greater than 1 million must have a private capital investment of \$100 million.

An application for designation as a project of statewide significance must be accompanied by a letter of from the jurisdiction indicating the jurisdiction has or will hire the professional staff and include an agreement to work with the team assembled by ORA to help expedite decision making for the project.

The Office of Regulatory Assistance. The ORA must assign a lead to each project of statewide significance in permit scoping and coordination functions, and assemble a team to work with the project proponents to help meet planning, permitting and development needs of the project. State agencies must enter into a fully coordinated permit process with ORA and project proponents and must expedite decision making related to projects where a project proponent enters into a cost-reimbursement agreement with the agency and ORA.

Tax Credit. Effective July 1, 2019, a person investing in a project of statewide significance may apply to Commerce to receive a credit against B&O tax or PUT equal to 5 percent or less of the projected or actual qualified initial capital cost of the project, subject to the following conditions:

- the tax credit applies only to projects for which initiation of construction commences after the effective date of the bill;
- any credit claimed must be reported;
- the total credit may not exceed \$25 million in any fiscal year;
- unused credit may be carried forward until used, but credits are available on a first-in-time bases based on the time of application;
- no more than 25 percent of the total credit may be earned by projects located in counties with population greater than 1 million; and
- approved credit may not be claimed before the qualifying project is certified as being complete and the certain criteria are met.

The total amount of credit that may be approved by the Department of Revenue (DOR) cannot exceed \$100 million dollars. If this limitation is reached, DOR must notify Commerce and the Legislature the credit provided by this section is no longer available.

DOR must submit a report to the finance committees of the Legislature within one year after reaching the credit limitation. The report must measure the effect of the credit on job creation, capital investment, net environmental impact, the commercialization of innovative projects and other factors.

The tax preference performance statement requirements and ten year automatic expiration do not apply to this act.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony: PRO: This would stimulate rural growth bringing about \$2 billion in investment at a 20 to 1 ratio based on state cost. There is strict criteria to qualify for the credit based on the type of development, investment, and long term employment. The bill also caps the program over time to allow for verification that it is working. It would be a good pillar to any type of rural jobs growth program.

Persons Testifying: PRO: Senator John Braun, Prime Sponsor.

Persons Signed In To Testify But Not Testifying: No one.