
SENATE BILL 5096

State of Washington

57th Legislature

2001 Regular Session

By Senators T. Sheldon, Sheahan, Gardner, Honeyford, Hargrove,
Rasmussen, Costa and Haugen

Read first time 01/10/2001. Referred to Committee on Economic
Development & Telecommunications.

1 AN ACT Relating to tax deferrals in rural counties; and
2 amending RCW 82.60.010, 82.60.020, 82.60.049, and 82.62.030.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 82.60.010 and 1985 c 232 s 1 are each amended to read
5 as follows:

6 The legislature finds that there are several areas in the state
7 that are characterized by very high levels of unemployment and
8 poverty. The (~~legislative~~ legislature) legislature further
9 finds that economic stagnation is the primary cause of this high
10 unemployment rate and poverty; that new state policies are
11 necessary in order to promote economic stimulation and new
12 employment opportunities in these (~~distressed~~) rural areas; and
13 that policies providing incentives for economic growth in these
14 (~~distressed~~) rural areas are essential. For these reasons, the
15 legislature hereby establishes a tax deferral program to be
16 effective solely in (~~distressed~~) rural areas and under
17 circumstances where the deferred tax payments are for investments
18 or costs that result in the creation of a specified number of

1 jobs. The legislature declares that this limited program serves the
2 vital public purpose of creating employment opportunities and
3 reducing poverty in the ((distressed)) rural areas of the state.

4 **Sec. 2.** RCW 82.60.020 and 1999 sp.s. c 9 s 2 are each amended to
5 read as follows:

6 Unless the context clearly requires otherwise, the definitions
7 in this section apply throughout this chapter.

8 (1) "Applicant" means a person applying for a tax deferral
9 under this chapter.

10 (2) "Department" means the department of revenue.

11 (3) "Eligible area" means a rural county ((with fewer than one
12 hundred persons per square mile as determined annually by the
13 office of financial management and published by the department of
14 revenue effective for the period July 1st through June 30th)) as
15 defined in this section.

16 (4)(a) "Eligible investment project" means an investment
17 project in an eligible area as defined in subsection (3) of this
18 section.

19 (b) The lessor/owner of a qualified building is not eligible
20 for a deferral unless the underlying ownership of the buildings,
21 machinery, and equipment vests exclusively in the same person, or
22 unless the lessor by written contract agrees to pass the economic
23 benefit of the deferral to the lessee in the form of reduced rent
24 payments.

25 (c) "Eligible investment project" does not include any portion
26 of an investment project undertaken by a light and power business
27 as defined in RCW 82.16.010(5), other than that portion of a
28 cogeneration project that is used to generate power for
29 consumption within the manufacturing site of which the
30 cogeneration project is an integral part, or investment projects
31 which have already received deferrals under this chapter.

32 (5) "Investment project" means an investment in qualified
33 buildings or qualified machinery and equipment, including labor
34 and services rendered in the planning, installation, and
35 construction of the project.

36 (6) "Manufacturing" means the same as defined in RCW
37 82.04.120. "Manufacturing" also includes computer programming, the

1 production of computer software, and other computer-related
2 services, and the activities performed by research and development
3 laboratories and commercial testing laboratories.

4 (7) "Person" has the meaning given in RCW 82.04.030.

5 (8) "Qualified buildings" means construction of new structures,
6 and expansion or renovation of existing structures for the purpose
7 of increasing floor space or production capacity used for
8 manufacturing and research and development activities, including
9 plant offices and warehouses or other facilities for the storage
10 of raw material or finished goods if such facilities are an
11 essential or an integral part of a factory, mill, plant, or
12 laboratory used for manufacturing or research and development. If a
13 building is used partly for manufacturing or research and
14 development and partly for other purposes, the applicable tax
15 deferral shall be determined by apportionment of the costs of
16 construction under rules adopted by the department.

17 (9) "Qualified machinery and equipment" means all new
18 industrial and research fixtures, equipment, and support
19 facilities that are an integral and necessary part of a
20 manufacturing or research and development operation. "Qualified
21 machinery and equipment" includes: Computers; software; data
22 processing equipment; laboratory equipment; manufacturing
23 components such as belts, pulleys, shafts, and moving parts;
24 molds, tools, and dies; operating structures; and all equipment
25 used to control or operate the machinery.

26 (10) "Recipient" means a person receiving a tax deferral under
27 this chapter.

28 (11) "Research and development" means the development,
29 refinement, testing, marketing, and commercialization of a
30 product, service, or process before commercial sales have begun.
31 As used in this subsection, "commercial sales" excludes sales of
32 prototypes or sales for market testing if the total gross receipts
33 from such sales of the product, service, or process do not exceed
34 one million dollars.

35 (12) "Rural county" means a county with fewer than one hundred
36 persons per square mile as determined annually by the office of
37 financial management and published by the department of revenue
38 effective for the period July 1st through June 30th.

1 **Sec. 3.** RCW 82.60.049 and 2000 c 106 s 8 are each amended to read
2 as follows:

3 (1) For the purposes of this section:

4 (a) "Eligible area" also means a designated community
5 empowerment zone approved under RCW (~~(43.63A.700 or a county~~
6 ~~containing a community empowerment zone)) 43.31C.020.~~

7 (b) "Eligible investment project" also means an investment
8 project in an eligible area as defined in this section.

9 (c) "Qualified employment position" means a permanent full-time
10 employee employed in the eligible investment project during the
11 entire year.

12 (2) In addition to the provisions of RCW 82.60.040, the
13 department shall issue a sales and use tax deferral certificate
14 for state and local sales and use taxes due under chapters 82.08,
15 82.12, and 82.14 RCW, on each eligible investment project that is
16 located in an eligible area, if the applicant establishes that at
17 the time the project is operationally complete:

18 (a) The applicant will hire at least one qualified employment
19 position for each seven hundred fifty thousand dollars of
20 investment on which a deferral is requested; and

21 (b) The positions will be filled by persons who at the time of
22 hire are residents of the community empowerment zone. As used in
23 this subsection, "resident" means the person makes his or her home
24 in the community empowerment zone. A mailing address alone is
25 insufficient to establish that a person is a resident for the
26 purposes of this section. The persons must be hired after the date
27 the application is filed with the department.

28 (3) All other provisions and eligibility requirements of this
29 chapter apply to applicants eligible under this section.

30 (4) The qualified employment position must be filled by the end
31 of the calendar year following the year in which the project is
32 certified as operationally complete. If a person does not meet the
33 requirements for qualified employment positions by the end of the
34 second calendar year following the year in which the project is
35 certified as operationally complete, all deferred taxes are
36 immediately due.

1 **Sec. 4.** RCW 82.62.030 and 1999 c 164 s 306 are each amended to
2 read as follows:

3 (1) A person shall be allowed a credit against the tax due
4 under chapter 82.04 RCW as provided in this section. The credit
5 shall equal: (a) Four thousand dollars for each qualified
6 employment position with wages and benefits greater than forty
7 thousand dollars annually that is directly created in an eligible
8 business and (b) two thousand dollars for each qualified
9 employment position with wages and benefits less than or equal to
10 forty thousand dollars annually that is directly created in an
11 eligible business.

12 (2) The department shall keep a running total of all credits
13 granted under this chapter during each fiscal year. The department
14 shall not allow any credits which would cause the tabulation to
15 exceed seven million five hundred thousand dollars in any fiscal
16 year. If all or part of an application for credit is disallowed
17 under this subsection, the disallowed portion shall be carried
18 over for approval the next fiscal year. However, the applicant's
19 carryover into the next fiscal year is only permitted if the
20 tabulation for the next fiscal year does not exceed the cap for
21 that fiscal year as of the date on which the department has
22 disallowed the application.

23 (3) No recipient may use the tax credits to decertify a union
24 or to displace existing jobs in (~~any community in the state~~) a
25 community empowerment zone, as defined in RCW 43.31C.020, or
26 displace existing jobs by changing sites within a single county.

27 (4) No recipient may receive a tax credit on taxes which have
28 not been paid during the taxable year.

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