

FINAL BILL REPORT

ESHB 3014

C 16 L 10 E1
Synopsis as Enacted

Brief Description: Modifying the sales and use tax deferral program for investment projects in rural counties.

Sponsors: House Committee on Finance (originally sponsored by Representatives Kessler, Morrell and Van De Wege; by request of Governor Gregoire).

House Committee on Finance

Background:

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. Sales tax is paid by the purchaser and collected by the seller. The use tax is imposed on items used in the state that were not subject to the retail sales tax and includes purchases made in other states and from sellers who do not collect Washington sales tax.

The Rural County Sales and Use Tax Deferral Program (program) grants a deferral of sales and use tax for manufacturing, including computer-related businesses, research and development laboratories, commercial testing facilities, and vegetable seed conditioning facilities located in rural counties, Community Empowerment Zones (CEZ), or a county containing a CEZ.

The sales and use taxes on qualified construction and equipment costs for such businesses located in these specific geographic areas are waived when all program requirements have been met and verified. These waiver requirements include: (1) an annual report covering each calendar year that must be filed by March 31 of the following year; (2) a verification by the Department of Revenue (DOR) that all purchases are eligible; (3) use of the facility for qualified activities during the year in which the investment project is certified as operationally complete by the DOR and for each of the following seven years; and (4) employment requirements that have been met for a business located in a CEZ or county containing a CEZ.

This program is scheduled to expire on July 1, 2010.

Summary:

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.

The rural county sales and use tax deferral program (program) is extended from July 1, 2010, to July 1, 2020. Counties with an unemployment rate which is at least 20 percent above the state average for three years and community empowerment zones (CEZ) are eligible under the program. For the purpose of hiring in CEZs, residents include people living within a county in which the zone is located.

The Department of Revenue (DOR) is required to establish a list of qualifying counties by July 1, 2010, which is effective for 24 months. The list will be updated every two years based on Employment Security Department data.

The definition of "manufacturing" is clarified retroactively to include computer programming and other related services only if the service provides a new, different, or useful substance or article of tangible personal property for sale. Computer programming and other computer related services are eliminated from the definition of "manufacturing" beginning July 1, 2010.

Deferral recipients must complete annual surveys which the DOR will use to complete annual statistical reports to the Legislature and a final outcomes report due December 1, 2019.

Tax deferrals remain in place for up to two years during periods of temporary shutdowns in counties with a population of less than 20,000 people. To qualify for relief from paying deferred taxes during a temporary shutdown, the remaining labor force must be greater than 10 percent of the recipient's labor force at the time the deferral was approved by the DOR. If the number of employment positions falls below the 10 percent threshold during the two year period, the amount of deferred taxes outstanding is due immediately. Recipients seeking relief from paying deferred taxes must apply to and be approved by the DOR. A recipient is entitled to this relief only once.

The rural county sales and use tax deferral program expires July 1, 2020.

Votes on Final Passage:

First Special Session

House	87	6	
Senate	41	2	(Senate amended)
House			(House refuses to concur)
Senate	43	0	(Senate amended)
House	83	6	(House concurred)

Effective: July 1, 2010
July 13, 2010 (Section 3)