

SB 169 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Action Date: 02/15/17

Action: Without recommendation as to passage, be referred to Tax Credits by prior reference.

Vote: 5-0-0-0

Yeas: 5 - Baertschiger Jr, Boquist, Hass, Riley, Taylor

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

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WHAT THE MEASURE DOES:

Moves the sunset date for the E-commerce zone tax credit from January 1, 2018 to January 2, 2024.

ISSUES DISCUSSED:

- Potential interest by additional cities in establishing an E-commerce zone
- Impact on tax credits if the corporation excise tax is replaced with a gross receipts tax

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Businesses that engage in electronic commerce within a designated “electronic commerce zone” are allowed an income tax credit equal to 25 percent of certain capital investments. To be eligible, the qualifying investments must be within an e-commerce zone and used in e-commerce operations related to e-commerce sales, customer service, order fulfillment, or broadband infrastructure. Also, the business must be exempt from property taxes through the state’s broader Enterprise Zone program. The maximum amount that may be claimed each year is \$2 million (plus any carryforward) per taxpayer.

From inception of the program in 2001 through 2010, use of the tax credit was fairly minimal. Since then use has grown from less than \$1 million in tax credits claimed to just over \$15 million claimed in 2014; the amount of tax credits used to reduce income tax liability has grown from minimal to between \$1 and \$2 million per year. Much of the amount claimed may be carryforward amounts. Roughly 45 taxpayers claimed the tax credit in 2014.