

**HB 2904 A STAFF MEASURE SUMMARY**

**Carrier:** Rep. Smith G

**House Committee On Revenue**

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**Action Date:** 06/30/17  
**Action:** Do pass with amendments. (Printed A-Eng.)  
**Vote:** 7-0-2-0  
**Yeas:** 7 - Barnhart, Buehler, Hernandez, Johnson, Marsh, Nosse, Smith G  
**Exc:** 2 - Bentz, Smith Warner  
**Fiscal:** Has minimal fiscal impact  
**Revenue:** Revenue impact issued  
**Prepared By:** Kyle Easton, Economist

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**WHAT THE MEASURE DOES:**

Allows qualified rural counties, as defined in measure, to qualify as locations where a business firm may qualify for a rural long term enterprise zone tax incentive. Defines "qualified rural county" as county that is outside all metropolitan statistical areas as defined by most recent federal decennial census and in which, on most recently certified property assessment roll, the total property taxes imposed by all taxing districts within county are equal to or greater than 1.3% of the total assessed value of all taxable property located in county.

**ISSUES DISCUSSED:**

- By adding new criterion of being outside an MSA, for those counties outside of MSAs, effectively eliminates need to meet any one of the existing three requirements: chronic low income, chronic unemployment or negative net migration
- Potential of temporary workers skewing county data causing countywide per capita personal income figures to increase
- Use of average as opposed to median
- Impact that labor from areas outside of the local rural area can have upon compensation measurements
- The 1.3% property tax requirement contained in amendment
- Origination of the 150% wage requirement
- How HB 2904 and HB 3146 are related, definitions in measures differ, reasoning for this, expectation of aligning definition in later amendments.

**EFFECT OF AMENDMENT:**

Replaced content of measure.

**BACKGROUND:**

The long-term rural enterprise zone program offers a property tax abatement of seven to fifteen years for qualified firms and facilities. An associated income tax credit equal to 62.5 percent of the taxpayer's gross payroll costs at the facility is also available if approved by the Governor. Any type of business activity is eligible for the long term rural enterprise zone (LTREZ), but incentives depend on local approval and minimum levels for investment size, job creation and employee compensation. To qualify for exemption, current law requires facilities to be located in counties with any one of the following: chronic low income, chronic unemployment or negative net migration. House bill 2904 would add a fourth criterion to the list, county outside all metropolitan statistical areas.

Potentially affected counties include those that may currently qualify as a LTREZ location county that in the future will not qualify due to changes in income, unemployment or migration patterns of the county.