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## Finance Committee

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### HB 1615

**Brief Description:** Providing a business and occupation tax credit for businesses that hire unemployed veterans.

**Sponsors:** Representatives Angel, Shea, Schmick, Fagan, Kochmar, O'Ban, Hayes, Zeiger, Morrell and Freeman.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Authorizes a \$2,000 business and occupation tax credit for employers hiring veterans.</li><li>• Requires the Department of Revenue to provide a report to the legislature on the usage of the tax credit by December 1, 2016.</li></ul>
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**Hearing Date:** 2/22/13

**Staff:** Jeff Mitchell (786-7139).

**Background:**

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. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the State General Fund. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted.

The B&O tax code contains many exemptions and deductions for specific types of business activities and revenue. Tax credits, which provide a dollar-for-dollar offset against tax liability, are also authorized in certain circumstances. Some existing B&O tax credits were enacted for the specific purpose of encouraging employment growth. For example, a credit against B&O tax is provided for firms that create employment positions in rural counties or community empowerment areas. The new jobs must be involved in manufacturing, research and development, or computer services. The amount of the credit is \$2,000 for each new job created,

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unless the new position is paid wages and benefits of more than \$40,000 annually, in which case the credit is \$4,000. To qualify, a firm must increase its total jobs in an eligible area by at least 15 percent. The total amount of credit claimed statewide is capped at \$7.5 million.

**Summary of Bill:**

A credit is created for use against any B&O tax due for employers hiring veterans receiving unemployment benefits at the time of initial employment with the employer. The credit is equal to \$2,000 for each full-time employment position filled by a veteran. The credit may only be taken for employees hired for full-time employment positions on or after the effective date of the bill. Employment positions must be maintained for at least four calendar quarters.

The credit may be used against any B&O tax owing, or carried over until used. Before claiming the credit, an employer must certify to the department the total number of employment positions currently filled by veterans. To remain eligible for the credit for additional employment positions filled by veterans, the total number of veterans employed by the taxpayer must exceed the number of veterans employed by the employer at the time of certification.

The credits are available on a first-in-time basis. The Department of Revenue (Department) is required to maintain a total of all the tax credits allowed during each fiscal year. A limit of \$5 million is imposed as the maximum statewide amount of tax credits that may be claimed in any fiscal year. Any credit that is disallowed because of the statewide cap may be carried over into future years.

The B&O tax credit may not be claimed after October 1, 2016.

The Joint Legislature Audit and Review Committee is not required to conduct a tax preference review of the tax credit. However, by December 1, 2016, the Department must submit a report to the legislature indicating the number of employers who claimed the credit each fiscal year and the total amount of B&O tax credit claimed each fiscal year.

**Appropriation:** None.

**Fiscal Note:** Requested on February 15, 2013.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.