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**SUBSTITUTE SENATE BILL 6057**

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**State of Washington**

**63rd Legislature**

**2014 Regular Session**

**By Senate Ways & Means** (originally sponsored by Senators Brown, Chase, Rivers, King, Angel, Bailey, Becker, Honeyford, Conway, Hatfield, Kline, and Roach)

READ FIRST TIME 02/11/14.

1       AN ACT Relating to tax credits for hiring individuals with  
2 developmental disabilities; adding a new section to chapter 82.04 RCW;  
3 creating a new section; and providing an effective date.

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

5       NEW SECTION.       **Sec. 1.**       This section is the tax preference  
6 performance statement for the tax preference contained in section 2 of  
7 this act. This performance statement is only intended to be used for  
8 subsequent evaluation of the tax preference. It is not intended to  
9 create a private right of action by any party or be used to determine  
10 eligibility for preferential tax treatment.

11       (1) The legislature categorizes this tax preference as one intended  
12 to induce certain designated behavior by taxpayers and create or retain  
13 jobs, as indicated in RCW 82.32.808(2) (a) and (c).

14       (2) It is the legislature's specific public policy objective to  
15 provide employment for individuals with developmental disabilities. It  
16 is the legislature's intent to provide employers a credit against the  
17 business and occupation tax for hiring individuals with developmental  
18 disabilities which would reduce an employer's tax burden thereby  
19 inducing employers to hire and create jobs for individuals with

1 developmental disabilities. Pursuant to chapter 43.136 RCW, the joint  
2 legislative audit and review committee must review the business and  
3 occupation tax credit established under section 2 of this act.

4 (3) If a review finds that employment of individuals with  
5 developmental disabilities has increased by five percent since the  
6 enactment of this tax preference, then the legislature intends for the  
7 legislative auditor to recommend extending the expiration date of the  
8 tax preference.

9 (4) In order to obtain the data necessary to perform the review in  
10 subsection (3) of this section, the joint legislative audit and review  
11 committee should refer to employment and wage data available from the  
12 department of social and health services, the employment security  
13 department, and other sources as needed.

14 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW  
15 to read as follows:

16 (1)(a) In computing the tax imposed under this chapter, a person is  
17 allowed a credit against the tax due. The credit is equal to two  
18 hundred fifty dollars per calendar quarter for each full-time  
19 employment position filled by an individual with a developmental  
20 disability, and one hundred twenty-five dollars per calendar quarter  
21 for each part-time employment position filled by an individual with a  
22 developmental disability. The credit is earned for each calendar  
23 quarter the position is continuously maintained for the entire calendar  
24 quarter.

25 (b) Credits are available on a first in-time basis. The department  
26 must maintain a running total of all credits claimed under this section  
27 during each calendar year. The department may not allow any credit, or  
28 portion thereof, which would cause the total amount of credit claimed  
29 by all persons under this section to exceed five hundred thousand  
30 dollars in any calendar year. The department must provide written  
31 notice to any person who has claimed tax credits in excess of the five  
32 hundred thousand dollar limitation in this subsection. The notice must  
33 indicate the amount of tax due and provide that the tax be paid within  
34 thirty days from the date of such notice. The notice must also advise  
35 the person that the unused credit can be claimed in the next calendar  
36 year, subject to the five hundred thousand dollar limit. The

1 department may not assess penalties and interest as provided in chapter  
2 82.32 RCW on the amount due in the initial notice, if the amount due is  
3 paid by the due date specified in the notice, or any extension thereof.

4 (c)(i) A person may claim the credit under this section only  
5 against taxes originally due and reported to the department on or after  
6 the date that the employment position is filled by an individual with  
7 a developmental disability. If a person claims a credit for an  
8 employment position that is not continuously maintained for a full  
9 calendar quarter as required by this section, the person must repay the  
10 credit. However, if credit is claimed for filling a full-time  
11 employment position that was later converted to a part-time employment  
12 position before the credit was earned for a calendar quarter and that  
13 converted employment position was continuously filled by an individual  
14 with a developmental disability for the full calendar quarter, fifty  
15 percent of the credit claimed must be repaid.

16 (ii) Taxes imposed under (c)(i) of this subsection are due by the  
17 due date of the person's next tax return for reporting the taxes due  
18 under this chapter.

19 (iii) Except as otherwise provided in this subsection (1)(c)(iii),  
20 penalties and interest apply to taxes due under this subsection (1)(c)  
21 as provided in chapter 82.32 RCW. However, no penalties may be  
22 assessed on taxes due under this subsection (1)(c) if the person was  
23 initially eligible to claim the credit and such taxes are paid by the  
24 date due as provided in (c)(ii) of this subsection.

25 (d) The amount of credit claimed for a reporting period may not  
26 exceed the tax otherwise due under this chapter for that reporting  
27 period. Persons unable to claim their credit, or any portion thereof,  
28 in the calendar year for which the credit was earned may carry the  
29 unused credit over to subsequent calendar years until used. However,  
30 the carryover into subsequent calendar years is only permitted to the  
31 extent that the five hundred thousand dollar limit for any calendar  
32 year is not exceeded. No refunds may be granted for credits under this  
33 section.

34 (e) The department of social and health services must work with the  
35 department of revenue to develop a process to verify that an individual  
36 with a developmental disability has been hired into a position that  
37 qualifies for the credit provided in this section. Only those

1 businesses that hire individuals that the department of social and  
2 health services has identified as developmentally disabled qualify for  
3 the credit.

4 (f) To claim a credit under this section, a person must comply with  
5 the electronic filing and payment requirements in RCW 82.32.080.

6 (g) Credit is authorized only for an employee with a developmental  
7 disability hired for an employment position where the hiring takes  
8 place on or after July 1, 2014. Employment positions filled by  
9 existing employees are eligible for the credit under this section only  
10 if the position vacated by the existing employee is filled by a new  
11 hire, and both the existing employee and the new hire are individuals  
12 with a developmental disability.

13 (h) A person may not claim the credit under this section if the  
14 person has claimed a credit against the tax due under this chapter,  
15 under any other provision of law, with respect to the same employment  
16 position.

17 (2) The definitions in this subsection apply throughout this  
18 section.

19 (a) "Calendar quarter" means a period of three consecutive calendar  
20 months ending on March 31st, June 30th, September 30th, or December  
21 31st.

22 (b) "Full-time" means at least thirty-five hours a week, four  
23 hundred fifty-five hours a quarter, or one thousand eight hundred  
24 twenty hours a year.

25 (c) "Individual with a developmental disability" means an  
26 individual with a developmental disability as defined in RCW  
27 71A.10.020.

28 (d) "Part-time" means less than full-time.

29 NEW SECTION. **Sec. 3.** This act takes effect July 1, 2014.

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