

January 27, 1997

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development
FROM: Kenny Pittman, Research Analyst (786-7392)
RE: HB 1256 - Providing incentives for basic skills training.

BACKGROUND:

Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. There are 10 different rates that apply to various classifications of business activities. Businesses are taxable according to the activities they engage in and therefore may be subject to more than one tax rate. Under the B&O tax there are no deductions for raw materials and wages of employees. However, there are many exemptions and deductions for specific type of business activities and approximately 10 types of tax credits permitted under the B&O tax statutes, including tax credits for new job creation, small businesses, and research and development activities.

In 1996, the Legislature enacted a tax credit for state-approved, employer-provided or sponsored job training services that are designed to enhance the job-related performance of employees. This tax credit is equal to 20 percent of the value of the job training services and is limited to manufacturing and research and development businesses that are located in distressed areas of the state. A business may not take a tax credit expenses involved in the training of employees to provide basic skills training.

In 1991, the Legislature created the Workforce Training and Education Coordinating Board in an effort to make the state's work force training and education system better coordinated, more efficient, more responsive to the needs of business and workers,

and local communities, and more accountable for its performance.

SUMMARY:

A business and occupation tax credit is provided for state-approved, employer-provided or sponsored basic skills training for employees. The basic skills training must be provided by the employer or a qualified training institution without charge to the employee

The tax credit is limited to businesses with less than 50 employees or a consortium of businesses that are subject to the state's B&O tax. The tax credit is limited to 50 percent of the value of the approved basic skills training. A business may claim up to \$2,200 in tax credits per employee in a calendar year and a total up to \$10,000 per calendar year. The total tax credits on a state wide basis cannot exceed \$5 million per calendar year.

The business must request approval from the Workforce Training and Education Coordinating Board prior to claiming the tax credit. The business must include a description of the proposed basic skills training service, how it will enhance the employee's job performance or increase their opportunity for advancement, and the cost of the proposed basic skills training. Only basic skills training approved after June 30, 1997 is eligible for a tax credit.

The Workforce Training and Education Coordinating Board must evaluate the results of the tax credit program for employee basic skills training and report the findings to legislative policy and fiscal committees by January 1, 1999, and every two years thereafter. The evaluation must include the number of employers using the tax credit, number of employees trained, type of training provided, and how training enhanced the employer's work force.

Basic skills– are defined as reading, writing, critical thinking, English as a second language, mathematics, basic vocational technical training, and computer literacy.

Qualified training institution– is defined as a community college, technical college, joint apprenticeship and training committee, or private vocational school that is licensed by the Work Force Training and Education Coordinating Board.

Appropriation: None.

Fiscal Note: Requested January 20, 1997.

Effective Date: Ninety days after adjournment of session in

which bill is passed.