

***Children & Family Services  
Committee***

***HB 1430***

***Brief Description:*** *Providing tax hiring incentives.*

***Sponsors:*** *Representatives Veloria, Van Luven, Hunt, Esser, Ogden, Dunn, O'Brien, Carrell, Santos, Tokuda, D. Schmidt, Hurst, Fromhold, Boldt, Hatfield, Mulliken and Casada.*

***Brief Summary of Bill***

- *Creates a Business & Occupation Tax Credit for business services providers hiring a Temporary Assistance to Needy Families (TANF) recipient for a qualified position.*
- *Creates an Insurance Premium Tax Credit for insurance services providers hiring a TANF recipient for a qualified position.*

***Hearing Date:*** *2/19/01*

***Staff:*** *Tracey Taylor (786-7196).*

***Background:***

*Almost all businesses located or doing business in the state of Washington are subject to the state Business & Occupation (B&O) tax. Unlike a retail sales tax, a sale does not have to occur for a business to owe B&O tax. The tax is calculated on the gross income of a business generated from activities in the state. This means there are no deductions from the B&O tax for labor, materials, taxes or other costs of doing business.*

*However, a business may qualify for certain exemptions, deductions or credits. The B&O tax credits include the Multiple Activities Tax Credit (MATC), High Technology Business and Occupation Tax Credit, Small Business B&O Tax Credit and the Distressed Area B&O Tax Credit.*

*The Insurance Commissioner collects an Insurance Premium Tax from carriers operating*

*in Washington.*

*In 1996, the federal government enacted welfare reform. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) shifted the emphasis of the federal program to a Work First– approach. This approach is characterized by the idea that holding down a job and earning a paycheck is the best way for families to support themselves and leave poverty and government assistance behind.*

**Summary of Bill:**

*A Tax Credit program is created for certain persons or companies subject to the B&O tax or the Insurance Premium Tax who hire recipients of Temporary Assistance to Needy Families (TANF).*

*In order to qualify, the person or company must provide business or insurance services. This includes data processing, accounting, legal, financial, consulting and insurance services. A TANF recipient must be hired to fill a new permanent full-time position created after July 1, 2001.*

*For each calendar year that a TANF recipient is hired to fill the qualified position, the employer may receive a B&O or Insurance Premium Tax Credit of \$2000. So long as the position continues to be filled by a TANF recipient or the employer is training or actively recruiting a replacement TANF employee, the employer may receive the tax credit, for up to 3 years total. If a position is filled prior to July 1, the employer may receive the full year's tax credit. If it is filled after June 30th, the position qualifies for half a credit.*

*Although no application is required to claim the tax credit, the employer must keep records verifying eligibility for the tax credit. If the Department of Revenue or the Insurance Commissioner finds that the employer is ineligible for the tax credit, the amount of taxes for which the credit was claimed is immediately due. A credit may be carried over until it is used and no refunds shall be given based on this tax credit.*

*The Department of Social and Health Services (DSHS) is allowed to provide necessary information to the Department of Revenue.*

**Appropriation:** *None.*

**Fiscal Note:** *Requested on February 13, 2001.*

**Effective Date:** *Ninety days after adjournment of session in which bill is passed.*