

SHB 2565 - H AMD 796

By Representative Kilmer

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 82.04.4333 and 1996 c 1 s 4 are each amended to read
4 as follows:

5 (1) (~~There may be credited against the tax imposed by this~~
6 ~~chapter, the value of state approved, employer provided or sponsored~~
7 ~~job training services designed to enhance the job related performance~~
8 ~~of employees, for those businesses eligible for a tax deferral under~~
9 ~~chapter 82.60 RCW.)) In computing the tax imposed under this chapter,
10 a credit is allowed for fifty percent of the value of qualified worker
11 training expenses incurred by a qualified employer.~~

12 (2) The value of the (~~state approved, job training services~~)
13 qualified worker training expenses provided by the qualified employer
14 to (~~the~~) a new or existing employee, without charge, shall be
15 determined by the allocation of the cost method using generally
16 accepted accounting standards.

17 (3) (~~The credit allowed under this section shall be limited to an~~
18 ~~amount equal to twenty percent of the value of the state approved, job~~
19 ~~training services determined under subsection (2) of this section.))
20 The total credits allowed under this section for a (~~business~~)
21 qualified employer shall not exceed (~~five~~) the lesser of ten thousand
22 dollars per calendar year or the amount of tax otherwise due under this
23 chapter for the calendar year. Credits may not be carried over to
24 subsequent calendar years. No refunds may be granted for any unused
25 credits. Credits may not be approved on training expenses incurred
26 prior to January 1, 2007. Approved credits must be taken for taxes due
27 for the calendar year following the calendar year in which the
28 qualified expenses were incurred.~~

29 (4) The total credits allowed under this section for all qualified
30 employers shall not exceed two million dollars per calendar year for

1 credits taken for qualified worker training under subsection (6)(f)(i),
2 (ii), and (iii) of this section. The total credits allowed under this
3 section for all qualified employers shall not exceed one million
4 dollars per calendar year for credits taken for qualified worker
5 training under subsection (6)(f)(iv) of this section. The department
6 shall allow the use of the credits on a first-in-time basis.

7 (5) Prior to claiming the credit under this section, the
8 ((business)) qualified employer must obtain approval of the proposed
9 ((job training service)) worker training expenses from the ((employment
10 security department)) work force training and education coordinating
11 board. The employer's request for approval must include a description
12 of the proposed ((job)) worker training service, how the ((job)) worker
13 training will enhance the employee's performance, and the cost of the
14 proposed ((job)) worker training.

15 ((5) This section only applies to training in respect to eligible
16 business projects for which an application is approved on or after
17 January 1, 1996.)) (6) For the purposes of this section:

18 (a) "Manufacturing" has the meaning provided in RCW 82.04.120.
19 "Manufacturing" also includes computer programming, the production of
20 computer software, and other computer-related services, and the
21 activities performed by research and development laboratories and
22 commercial testing laboratories.

23 (b) "Pilot scale manufacturing" has the meaning provided in RCW
24 82.63.010.

25 (c) "Qualified employer" means an independently owned and operated
26 business located in Washington with less than fifty employees worldwide
27 that is engaged in a manufacturing, pilot scale manufacturing, or
28 qualified research and development operation.

29 (d) "Qualified research and development operation" has the meaning
30 provided in RCW 82.63.010.

31 (e) "Qualified worker training expenses" means the amount of
32 qualified worker training expenditures that exceed the lesser of: (i)
33 The employer's average annual amount of qualified worker training
34 expenditures for the previous five calendar years; or (ii) the
35 employer's annual amount of qualified worker training expenditures for
36 the previous year.

37 (f) "Qualified worker training" means instruction to enhance an
38 employee's job-related performance through: (i) A course or program at

1 an institution of higher education, as defined in RCW 28B.10.016, or a
2 private vocational school licensed under RCW 28C.10.060; (ii) a
3 private, nonprofit educational institution, the main campus of which is
4 permanently situated in the state, and that: (A) Is open to residents
5 of the state; (B) does not restrict entry on racial or religious
6 grounds; (C) provides programs beyond high school leading to at least
7 the baccalaureate degree; and (D) is accredited by the Northwest
8 association of schools and colleges or by an accrediting association
9 recognized by the higher education coordinating board; (iii) training
10 provided by Washington manufacturing services; or (iv) for employers
11 with more than two and less than twenty employees, training provided by
12 the employer on premises the value of which is determined according to
13 subsection (2) of this section.

14 (7) This section expires December 31, 2012.

15 NEW SECTION. Sec. 2. A new section is added to chapter 82.32 RCW
16 to read as follows:

17 (1) The legislature finds that accountability and effectiveness are
18 important aspects of setting tax policy. In order to make policy
19 choices regarding the best use of limited state resources, the
20 legislature needs information on how a tax incentive is used.

21 (2)(a) A person who claims the tax credit under RCW 82.04.4333
22 shall file a complete annual survey with the department. The survey is
23 due by March 31st following any year in which a person takes the credit
24 under RCW 82.04.4333. The department may extend the due date for
25 timely filing of annual surveys under this section as provided in RCW
26 82.32.590. The survey shall also include the following information for
27 employment positions in Washington:

28 (i) The number of total employment positions;

29 (ii) Full-time, part-time, and temporary employment positions as a
30 percent of total employment;

31 (iii) The number of employment positions according to the following
32 wage bands: Less than thirty thousand dollars; thirty thousand dollars
33 or greater, but less than sixty thousand dollars; and sixty thousand
34 dollars or greater. A wage band containing fewer than three
35 individuals may be combined with another wage band;

36 (iv) The number of employment positions that have employer-provided
37 medical, dental, and retirement benefits, by each of the wage bands;

1 (v) The number of people receiving qualified worker training;
2 (vi) The average cost of the qualified worker training;
3 (vii) The cost of the program administration; and
4 (viii) The type of qualified worker training received, including
5 the average length of training.

6 (b) As part of the annual survey, the department may request
7 additional information necessary to measure the results of, or
8 determine eligibility for, the tax credit in RCW 82.04.4333.

9 (c) All information collected under this section, except the amount
10 of the tax credit taken under RCW 82.04.4333 is deemed taxpayer
11 information under RCW 82.32.330. Information on the amount of the tax
12 credit is not subject to the confidentiality provisions of RCW
13 82.32.330 and may be disclosed to the public upon request, except as
14 provided in (d) of this subsection. If the amount of the tax credit as
15 reported on the survey is different than the amount actually reduced
16 based on the taxpayer's excise tax returns or otherwise allowed by the
17 department, the amount actually reduced may be disclosed.

18 (d) Persons for whom the actual amount of the tax credit is less
19 than ten thousand dollars during the period covered by the survey may
20 request the department to treat the amount of the tax reduction as
21 confidential under RCW 82.32.330.

22 (3) If a person fails to submit a complete annual survey under
23 subsection (2) of this section by the due date or any extension under
24 RCW 82.32.590, the department shall declare the amount of tax credit
25 taken under RCW 82.04.4333 for the period covered by the survey to be
26 immediately due and payable. The department shall assess interest, but
27 not penalties, on the taxes. Interest shall be assessed at the rate
28 provided for delinquent excise taxes under this chapter, retroactively
29 to the date the reduced taxes were due, and shall accrue until the
30 amount of the reduced taxes is repaid.

31 (4) The department shall use the information from the annual survey
32 required under subsection (2) of this section to prepare summary
33 descriptive statistics by category including the number of qualified
34 employers utilizing the credit by firm size:

- 35 (a) Under five employees;
- 36 (b) Five to ten employees;
- 37 (c) Eleven to twenty-five employees; and
- 38 (d) Twenty-six to forty-nine employees.

1 The department shall report these statistics to the legislature
2 each year by September 1st.

3 (5) By November 1, 2010, the fiscal committees of the house of
4 representatives and the senate, in consultation with the department,
5 shall report to the legislature on the effectiveness of the tax credit
6 provided in RCW 82.04.4333 in regard to keeping Washington competitive.
7 The report shall measure the effect of the tax credit provided in RCW
8 82.04.4333 on job retention, net jobs created for Washington residents,
9 company growth, diversification of the state's economy, cluster
10 dynamics, and other factors as the committees select. The report shall
11 include a discussion of principles to apply in evaluating whether the
12 legislature should extend the tax credit provided in RCW 82.04.4333.

13 **Sec. 3.** RCW 82.32.590 and 2005 c 514 s 1001 are each amended to
14 read as follows:

15 (1) If the department finds that the failure of a taxpayer to file
16 an annual survey under RCW 82.04.4452 or 82.04.4333 by the due date was
17 the result of circumstances beyond the control of the taxpayer, the
18 department shall extend the time for filing the survey. Such extension
19 shall be for a period of thirty days from the date the department
20 issues its written notification to the taxpayer that it qualifies for
21 an extension under this section. The department may grant additional
22 extensions as it deems proper.

23 (2) In making a determination whether the failure of a taxpayer to
24 file an annual survey by the due date was the result of circumstances
25 beyond the control of the taxpayer, the department shall be guided by
26 rules adopted by the department for the waiver or cancellation of
27 penalties when the underpayment or untimely payment of any tax was due
28 to circumstances beyond the control of the taxpayer.

29 NEW SECTION. **Sec. 4.** This act takes effect January 1, 2007."

30 Correct the title.

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