

SENATE BILL REPORT

SB 6646

As of January 26, 2010

Title: An act relating to business and occupation tax credits for job creation.

Brief Description: Concerning business and occupation tax credits for job creation.

Sponsors: Senators Kilmer, Zarelli, Kastama, Marr, Hobbs, Tom, McAuliffe, Shin and Haugen;
by request of Governor Gregoire.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 1/27/10.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Jack Brummel (786-7428)

Background: The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state with no deductions for the costs of doing business. Credits against the B&O tax may be awarded for a variety of activities including aerospace preproduction development, and customized training.

A credit against the B&O tax is available for manufacturing, research and development, or computer service firms that create new jobs in rural counties or community empowerment zones. The amount of the B&O tax credit is based on wages and benefits paid for new employment positions. The B&O credit is \$2,000 for new positions with annual benefits and wages less than or equal to \$40,000. The credit is \$4,000 for new positions with annual wages and benefits of more than \$40,000. Employment positions must be full-time to qualify.

The B&O tax credit for job creation is based on job growth. To qualify for the credit, the firm must increase its total employment in an eligible area by at least 15 percent over the preceding four-quarter period.

Summary of Bill: The B&O tax credit eligibility requirement that employment positions increase by 15 percent is reduced to 10 percent.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A new \$2,000 tax credit against the B&O tax is authorized for small businesses with less than \$5 million in gross income. The credit is available for each new employment position lasting at least 12 months. The credit is not available if other credits are available for the same employment position. The credit is available on a first-in-time basis and the total credit available in any fiscal year is limited to \$10 million. A business can earn credits beginning July 1, 2010. The credit may not be claimed after June 30, 2013. Businesses must file a survey about the employment positions with the Department of Revenue for each year they claim the credit.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2010.