

SENATE BILL REPORT

SB 6540

As of January 28, 2012

Title: An act relating to creating a business and occupation tax credit for hiring certain persons in manufacturing.

Brief Description: Creating a business and occupation tax credit for hiring certain persons in manufacturing.

Sponsors: Senator Chase.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 1/30/12.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Edward Redmond (786-7471)

Background: Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited in the state General Fund. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted.

The B&O tax does not permit deductions for the costs of doing business, such as payments for raw materials and wages of employees. However, there are many exemptions for specific types of business activities and certain deductions and credits permitted under the B&O tax statutes.

The major B&O tax credits are: (1) rural area application for B&O tax credit on new employees; (2) high technology B&O tax credit; (3) small business B&O tax credit; (4) multiple activities tax credit; and (5) credits for overpayments of taxes.

Businesses claiming certain tax credits must provide data on annual accountability reports or surveys filed with the Department of Revenue (DOR). Accountability reports and surveys require information about employment and economic activities related to the tax credit. Tax credits that are industry-specific generally require the recipient to file an annual report, whereas tax credits that apply more broadly generally require the recipient to file an annual survey.

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.

Summary of Bill: A credit is created for use against the B&O tax by businesses with under 100 full-time employees that hire interns, apprentices, or permanent employees who either: (1) are enrolled in a manufacturing skills certificate program (Certificate) at one of the state's community or technical colleges; or (2) have received a Certificate within two years preceding the date of hire. The tax credit is equal to 50 percent of the wages paid to the new employee within the first six months of hire, but may not exceed \$5,000 per new employee. The tax credit may be carried over and applied to taxes incurred in a subsequent year, but an employer may not receive a tax credit that exceeds \$250,000 per year.

Any business claiming the tax credit must file a complete annual survey with DOR.

Appropriation: None.

Fiscal Note: Requested on January 27, 2012.

Committee/Commission/Task Force Created: No.

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