

# SENATE BILL REPORT

## SB 6540

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As Reported by Senate Committee On:  
Economic Development, Trade & Innovation, February 1, 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, 2/01/12 [DPS-WM].

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

**Majority Report:** That Substitute Senate Bill No. 6540 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Chase, Vice Chair; Baumgartner, Ranking Minority Member; Ericksen, Hatfield, Holmquist Newbry, Kilmer and Shin.

**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.

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*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.*

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.

**Summary of Bill (Recommended Substitute):** A credit is created for use against the B&O tax by businesses with under 100 full-time employees for the cost of training interns, apprentices, or permanent employees in high demand manufacturing positions. 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 have its training program certified by Impact Washington and file a complete annual survey with DOR.

**EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & INNOVATION COMMITTEE (Recommended Substitute):** Provides a tax credit to employers for the cost of training interns, apprentices, or permanent employees in high demand advanced manufacturing positions. Requires the employer's training program to be certified by Impact Washington.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony on Original Bill:** PRO: A report from the Employment Security Department (ESD) that we heard early this session stated that we had thousands of job openings but we do not have trained workers to fill them. Many of these jobs are in the advanced manufacturing sector. A third of these advanced manufacturing companies are small businesses with less than 50 employees. These advanced manufacturing positions are high paying jobs but require an advanced skill level. If we can help firms train their workers, we can help put more people back to work which will result in a large net benefit to the state. The 2011 job vacancy survey report by ESD, that the greater share of new positions are going to be established at small firms. Washington manufacturing plays a critical role in our economic recovery and overall states well being. The Association of Washington Businesses (AWB) is in strong support of this legislation.

**Persons Testifying:** PRO: Senator Chase, prime sponsor; Ron Newbry, Impact Washington; Amber Carter, AWB.