
Finance Committee

HB 1622

Brief Description: Concerning tax credits for hiring individuals with developmental disabilities.

Sponsors: Representatives Hayes, Haler, Walsh, Pettigrew, Freeman, Roberts and Kirby.

Brief Summary of Bill

- Provides a \$1,000 per year business and occupation tax credit for employers hiring individuals with developmental disabilities.

Hearing Date: 2/22/13

Staff: Jeff Mitchell (786-7139).

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, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all 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 code contains many exemptions and deductions for specific types of business activities and revenue. Tax credits, which provide a dollar-for-dollar offset against tax liability, are also authorized in certain circumstances. Some existing B&O tax credits were enacted for the specific purpose of encouraging employment growth. For example, a credit against B&O tax is provided for firms that create employment positions in rural counties or community empowerment areas. The new jobs must be involved in manufacturing, research and development, or computer services. The amount of the credit is \$2,000 for each new job created, unless the new position is paid wages and benefits of more than \$40,000 annually, in which case the credit is \$4,000. To qualify, a firm must increase its total jobs in an eligible area by at least 15 percent. The total amount of credit claimed statewide is capped at \$7.5 million.

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 any B&O tax due for employers who hire individuals with developmental disabilities. The credit is equal to \$1,000 per year for each full-time employment position filled by an individual with a developmental disability.

The credit may only be taken for employees hired for full-time employment positions on or after July 1, 2013. Positions filled by existing employees are only eligible for the tax credit if the position vacated by the existing employee is filled by a new hire, and both the existing employee and the new hire are individuals with developmental disabilities. The credit may not be claimed if the person has already claimed a different credit with respect to the same employment position.

The employer may take a tax credit for each fiscal year full-time employment is maintained. The credit may be used against any B&O tax owing, or carried over into the next fiscal year. An application is not necessary to claim the credit.

The credits are available on a first-in-time basis. The Department of Revenue (Department) is required to maintain a total of all the tax credits allowed during each fiscal year. The combined total amount of credit that may be claimed by all employers in any fiscal year is \$2 million.

Once the \$2 million cap is reached in a fiscal year, the Department is required to provide notice to any person claiming the credit that they owe tax in that fiscal year and the amount owing. The tax owing is due within 30 days from the date of the notice. No penalties are assessed by the Department if the amount due is paid by the date indicated in the initial notice. The Department must also notify the person that they may claim the credit in the following fiscal year, subject to the \$2 million limit.

Appropriation: None.

Fiscal Note: February 15, 2013.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.