SENATE BILL REPORT
SB 5249

As of February 18, 2013

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: Senators Chase, Schlicher and Shin.

Brief History:
   Committee Activity: Trade & Economic Development: 2/12/13.

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

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 for the cost of training interns, apprentices, or permanent employees in high demand advance 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 $200,000 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.

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: PRO: Washington currently has thousands of job openings but lacks the trained workers to fill them. A lot of these job openings are in the advanced manufacturing sector. These advanced manufacturing positions pay over $70,000 – high paying jobs. By helping firms to train their workers, we can help get more people back to work. Impact Washington can facilitate the match of students between colleges and small employers, but without a financial incentive to take on the responsibility of managing an intern, most small companies just will not bother. This bill provides that incentive. The fiscal note does not reflect the potential economic benefits to the state which will occur through the growth of our business sector. We need a dynamic fiscal note that can reflect the possible benefits this legislation will provide to our state. The Association of Washington Businesses (AWB) is in strong support of this legislation.

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