

SENATE BILL REPORT

SB 5812

As of February 22, 2013

Title: An act relating to providing a business and occupation tax credit for businesses that hire veterans.

Brief Description: Providing a business and occupation tax credit for businesses that hire veterans.

Sponsors: Senators Hill, Hobbs, Hargrove and Shin; by request of Governor Inslee.

Brief History:

Committee Activity: Ways & Means: 2/21/13.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Juliana Roe (786-7438)

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 have been enacted for the specific purpose of encouraging employment growth. For example, a credit against the B&O tax is provided for firms that create employment positions in rural counties or community empowerment areas.

The federal government currently has a program that provides a tax credit for hiring various groups, including qualified veterans, known as the Work Opportunity Tax Credit. It was reauthorized through December 31, 2013.

Summary of Bill: A B&O tax credit is provided to businesses that provide qualified employment positions to unemployed veterans. A qualified employment position is a permanent full-time employee, working at least 35 hours per week, employed during two

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consecutive full calendar quarters, or for seasonal employers, the equivalent of a full-time employee in work hours for two consecutive full calendar quarters. A veteran is a person who has received an honorable discharge or received a medical discharge with an honorable record; has served as a member in any branch of the armed forces, including the national guard and armed forces reserves; has fulfilled their initial military service obligation; and has served in any armed conflict. The credit will be equal to:

- 20 percent of wages and benefits paid up to a maximum of \$3,000 for each qualified employment position filled by an unemployed veteran of Operation Enduring Freedom or Operation Iraqi Freedom; or
- 10 percent of wages and benefits paid up to a maximum of \$1,500 for each qualified employment position filled by an unemployed veteran of an armed conflict prior to Operation Enduring Freedom.

The Department of Revenue will keep a total of all credits allowed for each fiscal year, not to exceed \$10 million in any fiscal year. Credits disallowed in one year can be carried over to the next fiscal year. Priority is given to credits carried over from a previous fiscal year.

The Joint Legislative Audit and Review Committee must review the B&O tax credit by July 1, 2018.

Appropriation: None.

Fiscal Note: Requested on February 18, 2013.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on August 1, 2013.

Staff Summary of Public Testimony: Washington is home to approximately 600,000 veterans. About 65,000 of those veterans are veterans of Operation Enduring Freedom and Operation Iraqi Freedom. About 9.1 percent of the veterans in Washington State are unemployed. Those veterans from Iraq and Afghanistan have an unemployment rate closer to 20 percent. As the military begins to downsize, we expect about 13,000 additional veterans to live in Washington State per year. We need to serve these veterans well. The most important thing we can provide to them is a job. Reports show that the federal tax incentive has worked to provide jobs for veterans. It is an essential tool and an incentive for businesses to employ our veterans.

Persons Testifying: PRO: Alfie Alvarado, WA State Dept. of Veterans Affairs.