

SENATE BILL REPORT

SB 6057

As of February 6, 2014

Title: An act relating to tax credits for hiring individuals with developmental disabilities.

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

Sponsors: Senators Brown, Chase, Rivers, King, Angel, Bailey, Becker, Honeyford, Conway, Hatfield, Kline and Roach.

Brief History:

Committee Activity: Ways & Means: 2/05/14.

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.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): A credit is created for use against any B&O tax due for employers who hire individuals with a developmental disability. The credit is equal to \$250 per calendar quarter for each full-time employment position filled by an individual with a developmental disability and \$125 per calendar quarter for each part-time employment position filled by an individual with a developmental disability. The credit is earned for each calendar quarter that the position is continuously maintained for the entire calendar quarter.

The credits are available on a first-in-time basis. The Department of Revenue (DOR) must maintain a total of all the tax credits allowed during each calendar year. The combined total

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.

amount of credit that may be claimed by all employers in any calendar year is \$500,000. Once the \$500,000 cap is reached in a calendar year, DOR must provide notice to any person claiming the credit that they owe tax and the amount of tax owed. DOR must also advise that the unused credit can be carried over to the next calendar year.

Credits are authorized for employees with a developmental disability hired on or after July 1, 2014. Employment positions filled by existing employees are eligible for the credit only 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 a developmental disability.

The Department of Social and Health Services must work with DOR to develop a process to verify that an individual with a developmental disability has been hired into a position for which the credit is being claimed.

The Joint Legislative Audit and Review Committee must review this tax credit and specifically determine whether the employment of individuals with a developmental disability has increased by 5 percent from the time of the enactment of this tax preference. If it has, it is the Legislature's intent for the legislative auditor to recommend extending the expiration date of the tax preference, which is January 1, 2025.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2014.

Staff Summary of Public Testimony: PRO: The revenue impact of this bill is only \$30,000. It gives a little something to those with developmental disabilities by incentivizing employers to hire very valuable members of our community.

This is a good bill, but we want to make sure there is a provision that would penalize an employer for hiring someone with a developmental disability, taking advantage of the credit, and then cutting the employee's hours or firing the employee. This sort of behavior should not be tolerated in part because it affects the employee's self-esteem.

Persons Testifying: PRO: Senator Brown, prime sponsor; Jason Self, Jason Pelerine, citizen.