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SENATE BILL 6049

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State of Washington

63rd Legislature

2014 Regular Session

By Senators O'Ban, Angel, Baumgartner, Benton, Brown, Rolfes, Rivers, Bailey, King, Padden, Becker, Honeyford, Roach, Sheldon, Dammeier, Parlette, and Conway

Read first time 01/15/14. Referred to Committee on Ways & Means.

1 AN ACT Relating to providing a business and occupation tax credit  
2 for businesses that hire veterans; adding a new section to chapter  
3 82.04 RCW; adding a new section to chapter 82.16 RCW; creating a new  
4 section; providing an effective date; and providing expiration dates.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** This section is the tax preference  
7 performance statement for the tax preference contained in sections 2  
8 and 3 of this act. This performance statement is only intended to be  
9 used for subsequent evaluation of the tax preference. It is not  
10 intended to create a private right of action by any party or be used to  
11 determine eligibility for preferential tax treatment.

12 (1) The legislature categorizes this tax preference as one intended  
13 to induce certain designated behavior by taxpayers and create or retain  
14 jobs, as indicated in RCW 83.32.808(2) (a) and (c).

15 (2) It is the legislature's specific public policy objective to  
16 provide employment for unemployed veterans. It is the legislature's  
17 intent to provide employers a credit against the business and  
18 occupation tax or public utility tax for hiring unemployed veterans  
19 which would reduce an employer's tax burden thereby inducing employers

1 to hire and create jobs for unemployed veterans. Pursuant to chapter  
2 43.136 RCW, the joint legislative audit and review committee must  
3 review the business and occupation tax and public utility tax credit  
4 established under sections 2 and 3 of this act by December 31, 2018.

5 (3) If a review finds that the number of unemployed veterans  
6 decreased by thirty percent, then the legislature intends for the  
7 legislative auditor to recommend extending the expiration date of the  
8 tax preference.

9 (4) In order to obtain the data necessary to perform the review in  
10 subsection (3) of this section, the joint legislative audit and review  
11 committee should refer to the veteran unemployment rates available from  
12 the employment security department and the bureau of labor statistics.

13 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW  
14 to read as follows:

15 (1) A person is allowed a credit against the tax due under this  
16 chapter as provided in this section. The credit equals twenty percent  
17 of wages and benefits paid up to a maximum of three thousand dollars  
18 for each qualified employment position filled by an unemployed veteran.

19 (2) Credits are available on a first-in-time basis. The department  
20 must keep a running total of all credits allowed under this section and  
21 section 3 of this act during each fiscal year. The department may not  
22 allow any credits that would cause the total credits allowed under this  
23 section and section 3 of this act to exceed five million dollars in any  
24 fiscal year. If all or part of a claim for credit is disallowed under  
25 this subsection, the disallowed portion is carried over to the next  
26 fiscal year. However, the carryover into the next fiscal year is only  
27 permitted to the extent that the cap for the next fiscal year is not  
28 exceeded. Priority must be given to credits carried over from a  
29 previous fiscal year. The department must provide written notice to  
30 any person who has claimed tax credits in excess of the limitation in  
31 this subsection. The notice must indicate the amount of tax due and  
32 provide that the tax be paid within thirty days from the date of the  
33 notice. The department may not assess penalties and interest as  
34 provided in chapter 82.32 RCW on the amount due in the initial notice  
35 if the amount due is paid by the due date specified in the notice, or  
36 any extension thereof.

1 (3) The credit may be used against any tax due under this chapter,  
2 and may be carried over until used, except as provided in subsection  
3 (7) of this section. No refunds may be granted for credits under this  
4 section.

5 (4) Credits earned under this section may be claimed only on  
6 returns filed electronically with the department using the department's  
7 online tax filing service or other method of electronic reporting as  
8 the department may authorize. The taxpayer must keep records necessary  
9 for the department to determine eligibility under this section  
10 including records establishing the person's status as a veteran and  
11 status as unemployed when hired by the taxpayer.

12 (5) No person may claim a credit against taxes due under both  
13 chapters 82.04 and 82.16 RCW for the same qualified employment  
14 position.

15 (6) The definitions in this subsection apply throughout this  
16 section unless the context clearly requires otherwise.

17 (a)(i) "Qualified employment position" means a permanent full-time  
18 employee employed during two consecutive full calendar quarters. For  
19 seasonal employers, "qualified employment position" also includes the  
20 equivalent of a full-time employee in work hours for two consecutive  
21 full calendar quarters.

22 (ii) For purposes of this subsection (6)(a), "full time" means a  
23 normal work week of at least thirty-five hours.

24 (iii) If an employee is either voluntarily or involuntarily  
25 separated from employment, the position does not cease to be a  
26 qualified employment position if the employer is training or actively  
27 recruiting a replacement who is an unemployed veteran.

28 (b) "Unemployed" means that the veteran was unemployed as defined  
29 in RCW 50.04.310 for at least thirty days immediately preceding the  
30 date that the veteran was hired by the person claiming credit under  
31 this section for hiring the veteran.

32 (c) "Veteran" means every person who has received an honorable  
33 discharge or received a discharge for medical reasons with an honorable  
34 record or is currently serving honorably, and who has served as a  
35 member in any branch of the armed forces of the United States,  
36 including the national guard and armed forces reserves.

37 (7) Credits allowed under this section can be earned for tax

1 reporting periods through June 30, 2018. No credits can be claimed  
2 after June 30, 2019.

3 (8) This section expires July 1, 2019.

4 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.16 RCW  
5 to read as follows:

6 (1) A person is allowed a credit against the tax due under this  
7 chapter as provided in this section. The credit equals twenty percent  
8 of wages and benefits paid up to a maximum of three thousand dollars  
9 for each qualified employment position filled by an unemployed veteran.

10 (2) Credits are available on a first-in-time basis. The department  
11 must keep a running total of all credits allowed under this section and  
12 section 2 of this act during each fiscal year. The department may not  
13 allow any credits that would cause the total credits allowed under this  
14 section and section 2 of this act to exceed five million dollars in any  
15 fiscal year. If all or part of a claim for credit is disallowed under  
16 this subsection, the disallowed portion is carried over to the next  
17 fiscal year. However, the carryover into the next fiscal year is only  
18 permitted to the extent that the cap for the next fiscal year is not  
19 exceeded. Priority must be given to credits carried over from a  
20 previous fiscal year. The department must provide written notice to  
21 any person who has claimed tax credits in excess of the limitation in  
22 this subsection. The notice must indicate the amount of tax due and  
23 provide that the tax be paid within thirty days from the date of the  
24 notice. The department may not assess penalties and interest as  
25 provided in chapter 82.32 RCW on the amount due in the initial notice  
26 if the amount due is paid by the due date specified in the notice, or  
27 any extension thereof.

28 (3) The credit may be used against any tax due under this chapter,  
29 and may be carried over until used, except as provided in subsection  
30 (7) of this section. No refunds may be granted for credits under this  
31 section.

32 (4) Credits earned under this section may be claimed only on  
33 returns filed electronically with the department using the department's  
34 online tax filing service or other method of electronic reporting as  
35 the department may authorize. The taxpayer must keep records necessary  
36 for the department to determine eligibility under this section

1 including records establishing the person's status as a veteran and  
2 status as unemployed when hired by the taxpayer.

3 (5) No person may claim a credit against taxes due under both  
4 chapters 82.04 and 82.16 RCW for the same qualified employment  
5 position.

6 (6) The definitions in this subsection apply throughout this  
7 section unless the context clearly requires otherwise.

8 (a)(i) "Qualified employment position" means a permanent full-time  
9 employee employed during two consecutive full calendar quarters. For  
10 seasonal employers, "qualified employment position" also includes the  
11 equivalent of a full-time employee in work hours for two consecutive  
12 full calendar quarters.

13 (ii) For purposes of this subsection (6)(a), "full time" means a  
14 normal work week of at least thirty-five hours.

15 (iii) If an employee is either voluntarily or involuntarily  
16 separated from employment, the position does not cease to be a  
17 qualified employment position if the employer is training or actively  
18 recruiting a replacement who is an unemployed veteran.

19 (b) "Unemployed" means that the veteran was unemployed as defined  
20 in RCW 50.04.310 for at least thirty days immediately preceding the  
21 date that the veteran was hired by the person claiming credit under  
22 this section for hiring the veteran.

23 (c) "Veteran" means every person who has received an honorable  
24 discharge or received a discharge for medical reasons with an honorable  
25 record or is currently serving honorably, and who has served as a  
26 member in any branch of the armed forces of the United States,  
27 including the national guard and armed forces reserves.

28 (7) Credits allowed under this section can be earned for tax  
29 reporting periods through June 30, 2018. No credits can be claimed  
30 after June 30, 2019.

31 (8) This section expires July 1, 2019.

32 NEW SECTION. **Sec. 4.** This act takes effect October 1, 2014.

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