S-3845.2

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**SENATE BILL 6608**

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**State of Washington 64th Legislature 2016 Regular Session**

**By** Senators Liias, Frockt, Rolfes, Nelson, Billig, Conway, McAuliffe, and Habib

AN ACT Relating to providing employers with a business and occupation tax credit for providing employees with student loan repayment assistance; adding a new section to chapter 82.04 RCW; creating a new section; making an appropriation; and providing an effective date.

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

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preference contained in section 2 of this act. This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes this tax preference as one intended to induce certain designated behavior by taxpayers and create or retain jobs, as indicated in RCW 82.32.808(2) (a) and (b).

(3) It is the legislature's specific public policy objective to provide employers a credit against the business and occupation tax for assisting their employees in repaying their student loans, which will reduce the employers' tax burden, thereby inducing employers to aid employees with such loans. Pursuant to chapter 43.136 RCW, the joint legislative audit and review committee must review the business and occupation tax credit established in section 2 of this act.

(4) If a review by the joint legislative audit and review committee finds that the number of participating employees is increasing by three percent per year between July 1, 2016, through June 30, 2019, the legislature intends for the joint legislative audit unit to recommend extending the expiration date of the tax preferences.

(5) In order to obtain the data necessary to perform the review in subsection (3) of this section, the joint legislative audit and review committee should refer to information available from the employment security department and the department of revenue.

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

(1) A person is allowed a credit against the tax due under this chapter as provided in this section. The credit equals twenty-five percent of the amount paid for student loan repayment of principal and interest by an employer directly to a student loan lender or lenders on behalf of each qualified employee of the employer for such employee's student loan repayments up to a maximum amount per year as follows:

(a) One thousand dollars per employee for the repayment of such employee's student loans incurred by the employee in obtaining an associate's degree;

(b) Four thousand dollars per employee for the repayment of such employee's student loans incurred by the employee in obtaining a bachelor's degree; and

(c) Six thousand dollars per employee for the repayment of such employee's student loans incurred by the employee in obtaining a graduate or postgraduate degree.

(2) The credit allowed under this section only applies to student loans incurred by a qualified employee while attending an accredited institution of higher education.

(3) A person may claim an annual credit under this section for student loan repayment amounts made on behalf of a qualified employee for a period of no more than three tax years per qualified employee.

(4) There is no carryback or carryforward of the credit allowed under this section. The department may not allow any credits that would cause the total credits allowed under this section to exceed the maximum amounts in subsection (1) of this section in any fiscal year. The department must provide written notice to any person who has claimed tax credits in excess of the limitation in this subsection. The notice must indicate the amount of tax due and provide that the tax be paid within thirty days from the date of the notice. The department may not assess penalties and interest as provided in chapter 82.32 RCW on the amount due in the initial notice if the amount due is paid by the due date specified in the notice, or any extension thereof.

(5) Credits are available on a first-in-time basis. The department must keep a running total of all credits allowed under this section during each fiscal year.

(6) The credit may be used against any tax due under this chapter. No refunds may be granted for credits under this section.

(7) Credits earned under this section may be claimed only on returns filed electronically with the department using the department's online tax filing service or other method of electronic reporting as the department may authorize. No application is required to claim the credit, but the taxpayer must keep records necessary for the department to determine eligibility under this section including records establishing the amount paid by the employer to a student lender on behalf of an employee for student loan repayment assistance under this section.

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

(a) "Qualified employee" means an employee employed by the employer for at least one hundred sixty hours during the tax year.

(b) "Student loan" means a student educational loan for higher education expenses at an accredited institution of higher education.

NEW SECTION. **Sec.**  The sum of two million five hundred thousand dollars, or as much thereof as may be necessary, is appropriated for the biennium ending June 30, 2017, from the general fund to the department of revenue for the purposes of funding business and occupation tax credits to employers who make direct student loan repayments on behalf of qualified employees, as provided in Senate Bill No. ---- (S-3845/16).

NEW SECTION. **Sec.**  This act takes effect July 1, 2016.

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