

---

**Community Development, Housing &  
Tribal Affairs Committee**

---

**HB 1241**

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

**Sponsors:** Representatives Muri, G. Hunt, Kilduff, Zeiger, Magendanz, Stambaugh, Hayes, Haler, Condotta and Young.

**Brief Summary of Bill**

- Provides a Business and Occupation (B&O) or Public Utility tax (PUT) credit to qualifying businesses hiring unemployed veterans.

**Hearing Date:** 1/27/15

**Staff:** Kirsten Lee (786-7133).

**Background:**

Business and Occupation Tax.

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. Businesses must pay B&O tax even though they may not have any profits or may be operating at a loss. A business may have more than one B&O tax rate, depending on the types of activities conducted. Major tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services, and activities not classified elsewhere. Several lower rates also apply to specific business activities.

Tax Preferences.

---

*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.*

Washington has over 650 tax preferences authorized in law. A tax preference includes exemptions, deductions, credits and preferential rates. B&O tax credits provide a dollar-for-dollar offset against tax liability.

#### Public Utility Tax.

The public utility tax (PUT) is imposed on gross income derived from operation of public and privately owned utilities, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. The tax is in lieu of the B&O tax. This tax applies only on sales to consumers. There are also varying rates of PUT, depending on the specific utility activity.

Recently, the federal government enacted a program that provides a tax credit for hiring various groups, including qualified veterans, known as the Work Opportunity Tax Credit. This program was extended to include qualified veterans hired before January 1, 2015, under the Tax Increase Prevention Act of 2014.

#### **Summary of Bill:**

PUT or B&O tax credits are provided to businesses that provide qualified employment positions to unemployed veterans, hired after October 1, 2016.

#### Tax Credit Qualifications.

A qualified employment position is a permanent full-time employee who works at least 35 hours per week for two consecutive calendar quarters. A veteran is a person who has received an honorable discharge, received a medical discharge with an honorable record, or is currently serving honorably, and who has served as a member in any branch of the armed forces, including the National Guard and armed forces reserves. Unemployed means that the veteran was unemployed for at least 30 days immediately preceding the date on which the veteran was hired by the person claiming the credit.

#### Tax Credit.

The credit is equal to 20 percent of wages and benefits paid up to a maximum of \$1,500 for each qualified employment position filled by an unemployed veteran. The credits are available on a first-in-time basis not to exceed \$1 million in any fiscal year. Credits disallowed in one year can be carried over to the next fiscal year. Carryover to the next fiscal year is only permitted, given the cap for the next fiscal year is not exceeded. Priority is given to credits carried over from a previous fiscal year.

Credits may be earned for tax reporting periods through June 30, 2022, and no credits may be claimed after June 30, 2023. Qualifying businesses may not claim both B & O and PUT credits.

**Appropriation:** None.

**Fiscal Note:** Requested on 1/21/2015.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.