

# SENATE BILL REPORT

## SB 5042

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As Reported by Senate Committee On:  
Ways & Means, April 1, 2015

**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 O'Ban, Benton, Conway, Dammeier, Sheldon and Warnick.

**Brief History:**

**Committee Activity:** Ways & Means: 3/25/15, 4/01/15 [DPS, w/oRec].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5042 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Billig, Brown, Conway, Fraser, Hatfield, Hewitt, Kohl-Welles, O'Ban, Padden, Parlette, Rolfes, Schoesler and Warnick.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Hasegawa.

**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 all business activities conducted within the state, without any deduction for the costs of doing business. 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 were

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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 public utility tax (PUT) applies to the gross income derived from the operation of public and privately owned utilities. The tax is in lieu of the B&O tax and applies to the general categories of transportation and the supply of energy and water.

The federal government recently had a program that provided a tax credit for hiring various groups, including qualified veterans, known as the Work Opportunity Tax Credit. It expired December 31, 2013.

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

**Summary of Bill (Recommended Substitute):** PUT or B&O tax credits are provided to businesses that provide positions to qualified employees. A qualified employee is an unemployed veteran who is employed in a permanent full-time position for at least two consecutive full calendar quarters. Full time is a normal work week of at least 35 hours per week. A veteran is a person who has received a general discharge under honorable conditions, including a discharge for medical reasons 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. 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 \$500,000 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.

Credits may be earned for tax reporting periods through June 30, 2021, and no credits may be claimed after June 30, 2022.

In the tax preference section, it provides that credits are intended to induce employers to hire and create jobs for unemployed veterans. It further states that the Joint Legislative Audit and Review Committee must review the new credits by December 31, 2021. If, in its review, it finds that the number of unemployed veterans has decreased by 30 percent, then the Legislature intends to extend the expiration date of the credits.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on October 1, 2016.

**Staff Summary of Public Testimony:** PRO: We have a higher unemployment rate for veterans than we do for the rest of the population. This is not because veterans don't have

superb work ethics and excellent skills, but because they have been out of the private sector work environment for a while. We want to encourage employers to hire veterans and this bill would give them an additional incentive. We owe this to our military men and women.

**Persons Testifying:** PRO: Senator O'Ban, prime sponsor.

**Persons Signed in to Testify But Not Testifying:** No one.