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**Finance Committee**

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**HB 2730**

**Brief Description:** Encouraging employers to promote and support workers' educational attainment.

**Sponsors:** Representatives Jinkins, Steele, Chapman, Wilcox, Blake, Eslick, Haler, Tharinger and Slatter.

**Brief Summary of Bill**

- Provides a business and occupation and public utility tax credit for contributions to qualified educational expenses of employees, of up to \$5,000 annually per eligible employee.
- Limits statewide credits to \$500,000 per calendar year.

**Hearing Date:** 1/30/18

**Staff:** Serena Dolly (786-7150).

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

Public Utility Tax.

The public utility tax (PUT) is a tax on public service businesses, including businesses that engage in transportation, communications, and the supply of electricity, natural gas, and water.

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*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.*

The PUT is imposed in lieu of the B&O tax on gross income derived from operation of publicly and privately owned utilities. In general, PUT does not permit deductions for the costs of doing business.

Tax Preference Performance Statement.

All new tax preference legislation must include a tax preference performance statement. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference. New tax preferences expire 10 years after the effective date of the tax preference, unless otherwise provided.

**Summary of Bill:**

An employer with fewer than 50 employees is allowed a B&O and PUT credit for approved contributions to the qualified educational expenses of eligible employees. Qualified educational expenses are the cost of tuition, fees, room and board, supplies, equipment, and books. Eligible employees are employees with a normal workweek of 35 hours per week and annual earnings of less than \$55,000.

The credit is limited to \$5,000 annually per eligible employee. Statewide credits are limited to \$500,000 per calendar year. Credits must be approved in advance by the Department of Revenue.

**Appropriation:** None.

**Fiscal Note:** Available.

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