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HOUSE BILL 2946

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State of Washington                      65th Legislature                      2018 Regular Session

By Representatives Chapman, Maycumber, Haler, Schmick, and Steele

Read first time 01/29/18. Referred to Committee on Finance.

1            AN ACT Relating to providing tax relief to small businesses  
2 located in rural counties; adding a new section to chapter 82.04 RCW;  
3 creating a new section; providing an effective date; and providing an  
4 expiration date.

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

6            NEW SECTION.    **Sec. 1.**    (1) This section is the tax preference  
7 performance statement for section 2, chapter . . ., Laws of 2018  
8 (section 2 of this act). This performance statement is only intended  
9 to be 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  
11 to determine eligibility for preferential tax treatment.

12            (2) The legislature categorizes the tax preference as one  
13 intended to provide relief to small businesses located in rural  
14 counties, as indicated in RCW 82.32.808(2)(e).

15            (3) It is the legislature's specific public policy objective to  
16 provide business and occupation tax relief to businesses located in  
17 rural counties with three hundred fifty or less employees.

18            (4) If a review finds that the unemployment rate in rural  
19 counties is higher than the unemployment rate of the Seattle-  
20 Bremerton-Tacoma combined metropolitan statistical area as defined by  
21 the United States department of labor, then the legislature intends

1 for the legislative auditor to recommend extending the expiration  
2 date of the tax preference.

3 (5) In order to obtain the data necessary to perform the review  
4 in subsection (4) of this section, the joint legislative audit and  
5 review committee may refer to any available data source, and the  
6 employment security department is directed to cooperate with any  
7 requests for data pursuant to facilitating the review authorized in  
8 this section.

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

11 (1) A qualified small business is allowed a credit against the  
12 tax due under this chapter as provided in this section. The credit  
13 under this section equals five thousand dollars. Eligible small  
14 businesses may earn the credit under this section annually.

15 (2)(a) To claim a credit under this chapter, a person must  
16 electronically file with the department all applications, returns,  
17 forms, and any other information required by the department, in an  
18 electronic format as provided or approved by the department. Any  
19 application, return, form, or information required to be filed in an  
20 electronic format under this section is not filed until received by  
21 the department in an electronic format. The department will rule on  
22 applications within sixty days.

23 (b) In determining the number of employment positions for  
24 purposes of qualifying for the tax credit under this section, a  
25 fractional full-time equivalent employment position is rounded up to  
26 the nearest whole number.

27 (c) The employment security department will make, and certify to  
28 the department, all determinations of employment requested by the  
29 department under this section.

30 (d) Applications, reports, and any other information received by  
31 the department under this chapter, except applications not approved  
32 by the department, are not confidential and are subject to  
33 disclosure.

34 (3) The department must keep a running total of all credits  
35 allowed under this chapter during each fiscal year.

36 (4) No recipient may use the tax credits under this section to  
37 decertify a union or to displace existing jobs in any community in  
38 the state.

1 (5)(a) Credits earned under this section may be claimed against  
2 taxes due for the calendar year in which the application is approved  
3 and may not exceed the amount of tax otherwise due under this  
4 chapter. No person may claim more than five thousand dollars of  
5 credit in any calendar year under this section, including credit  
6 carried over from a previous calendar year.

7 (b) Any amount of tax credit otherwise allowable under this  
8 section not claimed by the person in any calendar year may be carried  
9 over and claimed against the person's tax liability for the next  
10 succeeding calendar year. Any credit remaining unused in the next  
11 succeeding calendar year may be carried forward and claimed against  
12 the person's tax liability for the second succeeding calendar year;  
13 and any credit not used in that second succeeding calendar year may  
14 be carried over and claimed against the person's tax liability for  
15 the third succeeding calendar year, but may not be carried over for  
16 any calendar year thereafter.

17 (c) No refunds may be granted for any unused credits.

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

20 (a) "Eligible area" means a "rural county" as defined in RCW  
21 82.14.370.

22 (b) "Qualified small business" means a person:

23 (i) Whose primary business location is within an eligible area;  
24 and

25 (ii) Who has no more than three hundred fifty total companywide  
26 employment positions at the time the application for the tax credit  
27 under this section is submitted to the department. Employment  
28 positions include employment positions located in the state or out of  
29 state. Employment positions do not include vacant employment  
30 positions.

31 (c) "Recipient" means a person receiving tax credits under this  
32 section.

33 (7) This section expires January 1, 2029.

34 NEW SECTION. **Sec. 3.** This act takes effect January 1, 2019.

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