
**Rural Development, Agriculture, &
Natural Resources Committee**

HB 1566

Brief Description: Encouraging economic growth by providing a state business tax credit for new employment positions.

Sponsors: Representatives Walsh, Chapman and Shea.

Brief Summary of Bill

- Creates a business and occupation tax credit for certain employment positions created after July 1, 2019, in counties where the unemployment rate is at least 25 percent greater than the state unemployment rate.

Hearing Date: 2/6/19

Staff: Rebecca Lewis (786-7339).

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. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited into 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. Current law authorizes multiple exemptions, deductions, and credits to reduce the B&O tax liability for specific taxpayers and business industries. Some examples of B&O tax credits are:

- rural county B&O tax credit for new employees;
- high technology B&O tax credit;
- small business B&O tax credit;

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- multiple activities tax credit; and
- credit for hiring unemployed veterans.

Tax Preference Performance Statement and Expiration Date.

In 2013 the Legislature passed Engrossed Substitute Senate Bill 5882, which requires all new tax preference legislation to include a tax preference performance statement. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The tax preference performance statement must clearly specify the public policy objective 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.

Engrossed Substitute Senate Bill 5882 also established an automatic 10-year expiration date for new tax preference if an alternative expiration date is not provided in the new tax preference legislation.

Summary of Bill:

Business and Occupation Tax.

A business and occupation tax (B&O tax) credit is created for each qualified employment position created after July 1, 2019, by a person engaged in business activities (eligible person) in any county where the unemployment rate is at least 25 percent greater than the statewide unemployment rate. A qualified employment position is a permanent, full-time position for the eligible person with annual wages exceeding the average annual wage for the county.

The B&O tax credit is \$275 for each new qualified employment position, and is earned for the calendar year in which a person is hired for the position. If a newly created position is filled before July 1, it is eligible for the full B&O tax credit. If the position is filled after June 30, it is eligible for half of the B&O tax credit. If the position is maintained for the four subsequent consecutive years, the credit is also earned for those four years. Credit may be carried over until it is used; however, no refunds may be granted.

An application is not required to qualify for credit; however, an eligible person must keep the records necessary for the Department of Revenue (DOR) to verify eligibility for the B&O tax credit. Additionally, the Employment Security Department must provide the DOR with any information needed to verify eligibility for the B&O tax credit. If the DOR determines at any time that a person is not eligible for the tax credit, the taxes for which any credit has been claimed is due immediately. The DOR may not assess penalties, but must assess interest in the manner provided in statute for delinquent taxes. Interest must be assessed retroactively to the date the tax credit was taken, and must accrue until taxes for which the credit has been used are repaid.

Tax Preference Performance Statement and Expiration Date.

The bill is exempt from tax preference performance statement requirements, Joint Legislative Audit and Review Committee review, and the 10-year expiration date.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2019.