

SENATE BILL REPORT

SB 5619

As of February 1, 2019

Title: An act relating to creating a business and occupation tax credit for new businesses.

Brief Description: Creating a business and occupation tax credit for new businesses.

Sponsors: Senators Wagoner, Bailey, Holy, Zeiger, Honeyford, Walsh and O'Ban.

Brief History:

Committee Activity: Financial Institutions, Economic Development & Trade: 1/31/19.

Brief Summary of Bill

- Provides a business and occupations (B&O) tax credit for all new businesses on 100 percent of the tax due for the first 12 months.
- Allows a new business with less than 25 employment positions the ability to apply for this B&O tax credit for an additional two years.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Staff: Kellee Gunn (786-7429)

Background: Business and Occupation Tax. Washington State's major business tax is the B&O tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without deduction for the costs of doing business. The B&O tax rate varies by classification of business.

Business and Occupation Tax Credits. A B&O tax credit is allowed against the amount of tax otherwise due to the Department of Revenue (DOR). The state provides a number of tax credits for B&O tax. The following are a few of the major B&O tax credits offered:

- rural county B&O credit for new employees;
- high technology B&O tax credit;
- small business B&O tax credit;
- multiple activities tax credit; and
- credit for hiring unemployed veterans.

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.

Summary of Bill: A new business to Washington State may qualify for a B&O tax credit on 100 percent of the tax due during the first twelve months of operation. A new business with less than 25 employment positions may qualify for 24 months of credit equal to 100 percent of the B&O tax due, with an opportunity to extend the credit an additional 12 months at 50 percent the B&O tax due.

In order to qualify for the credit, a new business must file an application, in the form and manner required by DOR. The credit must be taken after all other credits and deductions have been applied.

A new business is one that has not been operating in Washington longer than 12 months from when the business applies for the credit. The time is calculated from the date that a new business first engages in business in Washington, or engages in any activity from sources within this state that requires them to pay B&O tax, regardless of physical presence.

A new businesses does not include:

- a reincorporated or restructured business;
- a new branch location or other facility; or
- a business that is substantially similar to a business currently operated in Washington within the past five years, when the majority of the ownership is the same.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This bill is based on two premises: B&O tax is vital to the state budget and many new businesses fail within the first five years. Small businesses are the cornerstone of our communities. This allows new businesses the ability to succeed.

CON: This would only give a B&O tax credit to certain businesses. The unintentional result of this bill is that it would tell firms that have been in this state for years that the state values new firms more than them. It would not be fair to all businesses.

Persons Testifying: PRO: Senator Keith Wagoner, Prime Sponsor.

CON: Patrick Connor, National Federation of Independent Business.

Persons Signed In To Testify But Not Testifying: No one.