
HOUSE BILL 1016

State of Washington

69th Legislature

2025 Regular Session

By Representatives Abbarno, Shavers, Leavitt, Marshall, Jacobsen, Eslick, McClintock, Callan, Orcutt, and Caldier

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1 AN ACT Relating to employer tax incentives for the support of
2 veterans and military families; adding a new section to chapter 82.04
3 RCW; adding a new section to chapter 82.16 RCW; creating a new
4 section; and providing expiration dates.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04
7 RCW to read as follows:

8 (1) Beginning January 1, 2026, a person is allowed a credit
9 against the tax due under this chapter as provided in this section.
10 The credit equals 20 percent of wages and benefits paid to or on
11 behalf of a qualified employee up to a maximum of \$3,000 for each
12 qualified employee hired on or after January 1, 2026.

13 (2) No credit may be claimed under this section until a qualified
14 employee has been employed for at least two consecutive full calendar
15 quarters.

16 (3) Credits are available on a first-in-time basis. The
17 department must keep a running total of all credits allowed under
18 this section and section 2 of this act during each fiscal year. The
19 department may not allow any credits that would cause the total
20 credits allowed under this section and section 2 of this act to
21 exceed \$5,000,000 in any fiscal year. If all or part of a claim for

1 credit is disallowed under this subsection, the disallowed portion is
2 carried over to the next fiscal year. However, the carryover into the
3 next fiscal year is only permitted to the extent that the cap for the
4 next fiscal year is not exceeded. Priority must be given to credits
5 carried over from a previous fiscal year. The department must provide
6 written notice to any person who has claimed tax credits in excess of
7 the limitation in this subsection. The notice must indicate the
8 amount of tax due and provide that the tax be paid within 30 days
9 from the date of the notice. The department may not assess penalties
10 and interest as provided in chapter 82.32 RCW on the amount due in
11 the initial notice if the amount due is paid by the due date
12 specified in the notice, or any extension thereof.

13 (4) The credit may be used against any tax due under this
14 chapter, and may be carried over until used, except as provided in
15 subsection (9) of this section. No refunds may be granted for credits
16 under this section.

17 (5) If an employer discharges a qualified employee for whom the
18 employer has claimed a credit under this section, the employer may
19 not claim a new credit under this section for a period of one year
20 from the date the qualified employee was discharged. However, this
21 subsection (5) does not apply if the qualified employee was
22 discharged for misconduct, as defined in RCW 50.04.294, connected
23 with his or her work or discharged due to a felony or gross
24 misdemeanor conviction, and the employer contemporaneously documents
25 the reason for discharge.

26 (6) Credits earned under this section may be claimed only on
27 returns filed electronically with the department using the
28 department's online tax filing service or other method of electronic
29 reporting as the department may authorize. No application is required
30 to claim the credit, but the taxpayer must keep records necessary for
31 the department to determine eligibility under this section including
32 records establishing the person's status as a veteran.

33 (7) No person may claim a credit against taxes due under both
34 this chapter and chapter 82.16 RCW for the same qualified employee.

35 (8) The definitions in this subsection apply throughout this
36 section unless the context clearly requires otherwise.

37 (a)(i) "Qualified employee" means a veteran, or spouse of an
38 active duty military member who is employed in a permanent full-time
39 position for at least two consecutive full calendar quarters. For
40 seasonal employers, "qualified employee" also includes the equivalent

1 of a full-time employee in work hours for two consecutive full
2 calendar quarters.

3 (ii) For purposes of this subsection (8)(a), "full time" means a
4 normal work week of at least 35 hours.

5 (b) "Veteran" means every person who has received a qualifying
6 discharge as defined in RCW 73.04.005 or is currently serving
7 honorably in any branch of the armed forces of the United States,
8 including the national guard and armed forces reserves.

9 (9) Credits allowed under this section can be earned for tax
10 reporting periods through January 1, 2036. No credits can be claimed
11 after January 1, 2037.

12 (10) This section expires January 1, 2037.

13 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.16
14 RCW to read as follows:

15 (1) Beginning January 1, 2026, a person is allowed a credit
16 against the tax due under this chapter as provided in this section.
17 The credit equals 20 percent of wages and benefits paid to or on
18 behalf of a qualified employee up to a maximum of \$3,000 for each
19 qualified employee hired on or after January 1, 2026.

20 (2) No credit may be claimed under this section until a qualified
21 employee has been employed for at least two consecutive full calendar
22 quarters.

23 (3) Credits are available on a first-in-time basis. The
24 department must keep a running total of all credits allowed under
25 this section and section 1 of this act during each fiscal year. The
26 department may not allow any credits that would cause the total
27 credits allowed under this section and section 1 of this act to
28 exceed \$5,000,000 in any fiscal year. If all or part of a claim for
29 credit is disallowed under this subsection, the disallowed portion is
30 carried over to the next fiscal year. However, the carryover into the
31 next fiscal year is only permitted to the extent that the cap for the
32 next fiscal year is not exceeded. Priority must be given to credits
33 carried over from a previous fiscal year. The department must provide
34 written notice to any person who has claimed tax credits in excess of
35 the limitation in this subsection. The notice must indicate the
36 amount of tax due and provide that the tax be paid within 30 days
37 from the date of the notice. The department may not assess penalties
38 and interest as provided in chapter 82.32 RCW on the amount due in

1 the initial notice if the amount due is paid by the due date
2 specified in the notice, or any extension thereof.

3 (4) The credit may be used against any tax due under this
4 chapter, and may be carried over until used, except as provided in
5 subsection (9) of this section. No refunds may be granted for credits
6 under this section.

7 (5) If an employer discharges a qualified employee for whom the
8 employer has claimed a credit under this section, the employer may
9 not claim a new credit under this section for a period of one year
10 from the date the qualified employee was discharged. However, this
11 subsection (5) does not apply if the qualified employee was
12 discharged for misconduct, as defined in RCW 50.04.294, connected
13 with his or her work or discharged due to a felony or gross
14 misdemeanor conviction, and the employer contemporaneously documents
15 the reason for discharge.

16 (6) Application for credit must be made prior to claiming a
17 credit. The application must be in a form and manner prescribed by
18 the department and must include, but is not limited to, information
19 establishing a person's status as a qualified employee. Applications
20 must be approved on a first-in-time basis. The department must rule
21 on the application within 60 days of receipt, except that the
22 department may extend the time of processing such application upon
23 notice to the taxpayer that ruling on the application cannot be
24 completed within such time. Credits earned under this section may be
25 claimed only on returns filed electronically with the department
26 using the department's online tax filing service or other method of
27 electronic reporting as the department may authorize.

28 (7) No person may claim a credit against taxes due under both
29 chapter 82.04 RCW and this chapter for the same qualified employee.

30 (8) The definitions in this subsection apply throughout this
31 section unless the context clearly requires otherwise.

32 (a)(i) "Qualified employee" means a veteran, or spouse of an
33 active duty military member who is employed in a permanent full-time
34 position for at least two consecutive full calendar quarters. For
35 seasonal employers, "qualified employee" also includes the equivalent
36 of a full-time employee in work hours for two consecutive full
37 calendar quarters.

38 (ii) For purposes of this subsection (8)(a), "full time" means a
39 normal work week of at least 35 hours.

1 (b) "Veteran" means every person who has received a qualifying
2 discharge as defined in RCW 73.04.005 or is currently serving
3 honorably in any branch of the armed forces of the United States,
4 including the national guard and armed forces reserves.

5 (9) Credits allowed under this section can be earned for tax
6 reporting periods through January 1, 2036. No credits can be claimed
7 after January 1, 2037.

8 (10) This section expires January 1, 2037.

9 NEW SECTION. **Sec. 3.** This section is the tax preference
10 performance statement for the tax preferences contained in sections 1
11 and 2, chapter . . ., Laws of 2025 (sections 1 and 2 of this act).
12 This performance statement is only intended to be used for subsequent
13 evaluation of the tax preference. It is not intended to create a
14 private right of action by any party or be used to determine
15 eligibility for preferential tax treatment.

16 (1) The legislature categorizes the tax preferences as those
17 intended to induce certain designated behavior by taxpayers and
18 create or retain jobs, as indicated in RCW 82.32.808(2) (a) and (c).

19 (2) It is the legislature's specific public policy objective to
20 provide employment for veterans and military families. It is the
21 legislature's intent to provide employers a credit against the
22 business and occupation tax or public utility tax for hiring veterans
23 and military spouses, which would reduce an employer's tax burden
24 thereby inducing employers to hire and create jobs for veterans and
25 military spouses.

26 (3) If a review finds that the number of unemployed veterans and
27 military spouses decreased by 10 percent, then the legislature
28 intends for the legislative auditor to recommend extending the
29 expiration date of the tax preference.

30 (4) In order to obtain the data necessary to perform the review
31 in subsection (3) of this section, the joint legislative audit and
32 review committee should refer to the veteran unemployment rates
33 available from the employment security department and the bureau of
34 labor statistics and may refer to any other data collected by the
35 state.

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