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**SUBSTITUTE SENATE BILL 5358**

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**State of Washington 67th Legislature 2021 Regular Session**

**By** Senate Human Services, Reentry & Rehabilitation (originally sponsored by Senators Gildon, Braun, Darneille, Nguyen, Warnick, and Wellman)

AN ACT Relating to providing incentives to employers to hire certain hard-to-place job seekers; adding a new section to chapter 82.04 RCW; adding a new section to chapter 82.16 RCW; creating a new section; and providing expiration dates.

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

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preferences contained in sections 2 and 3, chapter . . ., Laws of 2021 (sections 2 and 3 of this act). This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes these tax preferences as ones intended to induce certain designated behavior by taxpayers and create or retain jobs, as indicated in RCW 82.32.808(2) (a) and (c).

(3) It is the legislature's specific public policy objective to encourage the employment of certain unemployed persons, such as persons convicted of a felony and homeless persons. It is the legislature's intent to provide employers a credit against the business and occupation tax or public utility tax for hiring certain unemployed persons which would reduce an employer's tax burden thereby inducing employers to hire and create jobs for such persons. Pursuant to chapter 43.136 RCW, the joint legislative audit and review committee must review the business and occupation tax and public utility tax credit established under sections 2 and 3, chapter . . ., Laws of 2021 (sections 2 and 3 of this act) by December 31, 2030.

(4) If a review finds that the number of unemployed persons who meet the criteria in section 2(7)(c)(i) or 3(7)(c)(i) of this act decreased by 30 percent, then the legislature intends for the legislative auditor to recommend extending the expiration date of the tax preference.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the joint legislative audit and review committee should refer to unemployment rates available from the employment security department and the bureau of labor statistics.

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

(1) A person is allowed a credit against the tax due under this chapter as provided in this section. The credit equals the lesser of 10 percent or $500 of wages and benefits paid to or on behalf of a qualifying employee, with a maximum of a $500 credit for each qualifying employee hired on or after October 1, 2021.

(2) No credit may be claimed under this section until a qualifying employee has been employed for at least three consecutive full calendar quarters.

(3) Unused credit may be carried over and used in subsequent tax reporting periods, except as provided in subsection (8) of this section. No refunds may be granted for credits under this section.

(4) If an employer discharges a qualifying employee for whom the employer has claimed a credit under this section, the employer may not claim a new credit under this section for a period of one year from the date the qualifying employee was discharged. However, this subsection (4) does not apply if the qualifying employee was discharged for misconduct, as defined in RCW 50.04.294, connected with his or her work or discharged due to a felony or gross misdemeanor conviction, and the employer contemporaneously documents the reason for discharge.

(5) Credits earned under this section may be claimed only on returns filed electronically with the department using the department's online tax filing service or other method of electronic reporting as the department may authorize. No application is required to claim the credit, but the taxpayer must keep records necessary for the department to determine eligibility under this section including records establishing the person's status as a qualifying employee under subsection (7)(c)(i) and (ii) of this section when hired by the taxpayer.

(6) No person may claim a credit against taxes due under both this chapter and chapter 82.16 RCW for the same qualifying employee.

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

(a) "Homeless person" has the same meaning as provided in RCW 43.185C.010.

(b) "Person convicted of a felony" means a person, including a juvenile as defined in RCW 13.40.020, convicted of a felony under state or federal statute who is hired within one calendar year after the last date that the person was convicted or released from a juvenile rehabilitation facility or prison.

(c) "Qualifying employee" means a person who meets all of the following requirements:

(i) Is a homeless person or a person convicted of a felony;

(ii) Was unemployed as defined in RCW 50.04.310 for at least 30 days immediately preceding the date that the person was hired by the person claiming the credit under this section; and

(iii) Is employed in a permanent full-time position for at least three consecutive full calendar quarters by the person claiming the credit under this section. For seasonal employers, "qualifying employee" also includes the equivalent of a full-time employee in work hours for two consecutive full calendar quarters. For purposes of this subsection (7)(c)(iii), "full-time" means a normal workweek of at least 35 hours.

(8) Credits allowed under this section can be earned for tax reporting periods through June 30, 2030. No credits can be claimed after June 30, 2031.

(9) This section expires July 1, 2031.

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

(1) A person is allowed a credit against the tax due under this chapter as provided in this section. The credit equals the lesser of 10 percent or $500 of wages and benefits paid to or on behalf of a qualifying employee, with a maximum of a $500 credit for each qualifying employee hired on or after October 1, 2021.

(2) No credit may be claimed under this section until a qualifying employee has been employed for at least three consecutive full calendar quarters.

(3) Unused credit may be carried over and used in subsequent tax reporting periods, except as provided in subsection (8) of this section. No refunds may be granted for credits under this section.

(4) If an employer discharges a qualifying employee for whom the employer has claimed a credit under this section, the employer may not claim a new credit under this section for a period of one year from the date the qualifying employee was discharged. However, this subsection (4) does not apply if the qualifying employee was discharged for misconduct, as defined in RCW 50.04.294, connected with his or her work or discharged due to a felony or gross misdemeanor conviction, and the employer contemporaneously documents the reason for discharge.

(5) Credits earned under this section may be claimed only on returns filed electronically with the department using the department's online tax filing service or other method of electronic reporting as the department may authorize. No application is required to claim the credit, but the taxpayer must keep records necessary for the department to determine eligibility under this section including records establishing the person's status as a qualifying employee under subsection (7)(c)(i) and (ii) of this section when hired by the taxpayer.

(6) No person may claim a credit against taxes due under both chapter 82.04 RCW and this chapter for the same qualifying employee.

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

(a) "Homeless person" has the same meaning as provided in RCW 43.185C.010.

(b) "Person convicted of a felony" means a person, including a juvenile as defined in RCW 13.40.020, convicted of a felony under state or federal statute who is hired within one calendar year after the last date that the person was convicted or released from a juvenile rehabilitation facility or prison.

(c) "Qualifying employee" means a person who meets all of the following requirements:

(i) Is a homeless person or a person convicted of a felony;

(ii) Was unemployed as defined in RCW 50.04.310 for at least 30 days immediately preceding the date that the person was hired by the person claiming the credit under this section; and

(iii) Is employed in a permanent full-time position for at least three consecutive full calendar quarters by the person claiming the credit under this section. For seasonal employers, "qualifying employee" also includes the equivalent of a full-time employee in work hours for two consecutive full calendar quarters. For purposes of this subsection (7)(c)(iii), "full-time " means a normal workweek of at least 35 hours.

(8) Credits allowed under this section can be earned for tax reporting periods through June 30, 2030. No credits can be claimed after June 30, 2031.

(9) This section expires July 1, 2031.

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