

---

HOUSE BILL 2934

---

State of Washington

54th Legislature

1996 Regular Session

By Representatives Keiser, Campbell, Conway, Patterson, Romero, Cody, Chopp, Smith, Costa and Kessler

Read first time 01/30/96. Referred to Committee on Finance.

1 AN ACT Relating to providing a business and occupation tax credit  
2 to small and medium-sized business firms that pay benchmark wages or  
3 more; adding a new section to chapter 82.04 RCW; creating a new  
4 section; and providing an expiration date.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that:

7 (1) Small and medium-sized business firms play an essential and  
8 increasingly important role in the state's economy;

9 (2) Many of the state's small and medium-sized business firm owners  
10 provide jobs that pay wages providing their employees disposable income  
11 that benefits their community;

12 (3) Other small and medium-sized business owners are discouraged  
13 from paying a liveable family wage to their employees in part because  
14 the businesses' growth requires them to pay taxes under chapter 82.04  
15 RCW disproportionate to their profit margin; and

16 (4) The state of Washington, whose largest source of revenue is  
17 derived from its sales tax, has a compelling interest in promoting  
18 wages that provide higher disposable incomes to employees.

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

3        (1) For the purposes of this section:

4        (a) "Benchmark wage" means a wage that pays an employee at least  
5 twelve dollars per hour, two thousand eighty dollars per month, or  
6 twenty-four thousand nine hundred sixty dollars per year;

7        (b) "Business" means either a single taxpayer or consortium of  
8 taxpayers subject to taxation under this chapter;

9        (c) "Employee" means an individual resident of Washington who is  
10 employed for at least twenty hours per week by the employer seeking the  
11 tax credit and who has been continuously employed for at least sixteen  
12 weeks;

13        (d) "Employer" means an individual or corporate business, who  
14 provides a health benefit plan that is at least the equivalent of the  
15 Washington basic health plan under chapter 70.47 RCW and pays at least  
16 the benchmark wage to each employee, that is subject to the business  
17 and occupation tax as determined under this chapter, and that has two  
18 hundred fifty or fewer employees;

19        (e) "Employer benchmark wage costs" means that part of an  
20 employer's payroll that is paid directly as the benchmark wage required  
21 to be eligible for the credit under this section;

22        (f) "Medium-sized business firm" means a business entity, including  
23 a sole proprietorship, corporation, partnership, or other legal entity,  
24 that is owned and operated independently from all other businesses,  
25 that has the purpose of making a profit and that has two hundred fifty  
26 or fewer employees;

27        (g) "Small-sized business firm" means a business entity, including  
28 a sole proprietorship, corporation, partnership, or other legal entity,  
29 that is owned and operated independently from all other businesses,  
30 that has the purpose of making a profit and that has fifty or fewer  
31 employees; and

32        (h) "Total wage cost" means only that part of an employer's payroll  
33 that is paid directly as wages to employees.

34        (2) There may be credited against the tax imposed by this chapter,  
35 the difference of the value of employer total wage costs less the value  
36 of employer benchmark wage costs for incumbent employees, for those  
37 small and medium-sized business firms that annually employ less than  
38 two hundred fifty employees.

1 (3) The value of the credit available under this section shall be  
2 determined by the allocation of the cost method using generally  
3 accepted accounting standards.

4 (4) Before claiming the credit under this section, the employer  
5 must provide to both:

6 (a) The department, proof of:

7 (i) Employees earning at least the benchmark wage;

8 (ii) The employer's total wage cost; and

9 (iii) The employer's total benchmark wage cost; and

10 (b) The office of the insurance commissioner, proof of employee  
11 health benefit plan coverage, as defined in subsection (1)(d) of this  
12 section. The office of the insurance commissioner shall annually  
13 report to the department the employers that provide approved health  
14 benefit plan coverage for the tax credit available under this section.

15 (5) This section applies only to an employer's total wage costs  
16 above its benchmark wage costs for which an application is approved  
17 after June 30, 1996.

18 (6) This section shall expire June 30, 2001.

--- END ---