

# HOUSE BILL REPORT

## HB 1256

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**As Reported By House Committee On:**  
Trade & Economic Development

**Title:** An act relating to incentives for basic skills training.

**Brief Description:** Providing incentives for basic skills training.

**Sponsors:** Representatives Veloria, Van Luven, Alexander, Dunn, Sheldon, Blalock, Wolfe, Doumit, Gardner, Ogden, O'Brien, Costa, Conway, Murray, Cody, Linville, Keiser, Mason, Kessler, Chopp and Kenney.

**Brief History:**

**Committee Activity:**

Trade & Economic Development: 1/27/97, 2/20/97, 2/24/97 [DPS].

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### HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Veloria, Ranking Minority Member; Sheldon, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason; McDonald and Morris.

**Staff:** Kenny Pittman (786-7392).

**Background:** Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. There are 10 different rates that apply to various classifications of business activities. Businesses are taxable according to the activities they engage in and therefore may be subject to more than one tax rate. Under the B&O tax there are no deductions for raw materials and wages of employees. However, there are many exemptions and deductions for specific types of business activities, and approximately 10 types of tax credits permitted under the B&O tax statutes, including tax credits for new job creation, small businesses, and research and development activities.

In 1996 the Legislature enacted a tax credit for state-approved, employer-provided or sponsored job training services that are designed to enhance the job-related performance of employees. This tax credit is equal to 20 percent of the value of the job training services and is limited to manufacturing, and research and development businesses that are located in distressed areas of the state. A business may not take a

tax credit for expenses involved in the training of employees to provide basic skills training.

The Workforce Training and Education Coordinating Board was created to make the state's work force training and education system better coordinated and more efficient; more responsive to the needs of business and workers, and local communities; and more accountable for its performance.

**Summary of Substitute Bill:** A business and occupation tax credit is provided for state-approved, employer-provided or sponsored basic skills training for employees. The basic skills training must be provided by the employer or a qualified training institution without charge to the employee

The tax credit is limited to small businesses with less than 50 employees or a consortium of small businesses that are subject to the state's B&O tax. The tax credit is limited to 50 percent of the value of the approved basic skills training. A business may claim up to \$2,200 in tax credits per employee in a calendar year and a business total up to \$10,000 per calendar year. The total tax credits on a statewide basis cannot exceed \$5 million per calendar year.

The application for a tax credit must be submitted to the Workforce Training and Education Coordinating Board for approval. The businesses' application for tax credits must include a description of the proposed basic skills training service, how it will enhance the employee's job performance or increase their opportunity for advancement, and the cost of the proposed basic skills training. Only basic skills training approved after June 30, 1997, is eligible for a tax credit. Evaluation criteria must be developed in consultation with the Office of Adult Literacy at the Washington State Board for Community and Technical Colleges.

The Workforce Training and Education Coordinating Board must evaluate the results of the tax credit program for employee basic skills training and report the findings to legislative policy and fiscal committees by January 1, 1999, and every two years thereafter. The evaluation must include the number of employers using the tax credit, number of employees trained, type of training provided, and how training enhanced the employer's work force.

Basic skills are defined as reading, writing, critical thinking, English as a second language, mathematics, and beginning computer literacy.

Qualified training institution is defined as a community college, technical college, joint apprenticeship and training committee, nonprofit community-based organization, or private vocational school that is licensed by the Work Force Training and Education Coordinating Board.

**Substitute Bill Compared to Original Bill:** The substitute bill requires the Work Force Training and Education Coordinating Board to consult with the Office of Adult Literacy at the Washington State Board for Community and Technical Colleges in developing evaluation criteria for approval of application for tax credits. Basic vocational technical training is not considered basic skills training and training in computer literacy is limited to beginning courses. The employer and employee must have a signed agreement defining the goals and scope of basic skills training. Nonprofit community-based organizations are added as a qualified training institution.

**Appropriation:** None.

**Fiscal Note:** Requested on January 20, 1997.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The training needs of small businesses are large. What we need is a process that involves life-long learning to meet changing employer needs. This bill is another incentive that can be used by businesses that employ unskilled workers and give the worker the opportunity to advance in the business. The system for training approval needs to be business-friendly so that you are not always trying to get each individual training course approved by a state agency. The state should develop a list of pre-approved training courses the business could select from.

**Testimony Against:** None.

**Testified:** Representative Veloria, prime sponsor (pro); Terry Seamen (pro); Harold Abbe, Association of Washington Pulp and Paper Workers (pro); Sharon Cox, The Responsible Business Development Institute (pro); Ellen O'Brien Saunders, Work Force Training and Education Coordinating Board (pro); Kay Hirai and Dan Poggi, Governor's Small Business Improvement Council (pro); and Carolyn Logue, National Federation of Independent Businesses (pro, with concerns).