

State Government Committee

HB 1478

Brief Description: *Creating tax incentives for telework.*

Sponsors: *Representatives Ruderman, Esser, Morris, Pennington, DeBolt, Lambert, Hunt, Jarrett, Lovick, Miloscia, Schual-Berke, Jackley, Cody, Anderson, Kenney, McIntire, Cooper, McDermott, Dunn, Simpson, Van Luven, Santos, Dunshee, Reardon, Dickerson, Linville, Conway, Veloria, Murray, Edmonds, Edwards and Kagi.*

Brief Summary of Bill

- *A credit is allowed against business and occupation and/or public utility taxes owed for businesses that make telework expenditures.*

Hearing Date:

Staff: *Mark Matteson (786-7145).*

Background:

Telework is defined by the International Telework Association Council (ITAC) to mean the use of telecommunication technology to work at a convenient location to accomplish work-related objectives. According to ITAC, telework is distinguished from telecommuting in that telecommuting is conventionally construed to mean the use of telecommunications specifically at home to accomplish work-related objectives. Telework, on the other hand, is a broader term that implies the potential for working at other alternative locations to the traditional workplace, including telework centers, satellite offices, hotel rooms, airport lounges, and other convenient locations, in addition to the home office.

The business and occupation (B&O) tax is Washington State's major business tax. The tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited to the state general fund. A business may have more than one B&O tax rate, depending on the types of activities conducted.

The B&O tax does not permit deductions for the costs of doing business, such as payments

for raw materials and wages of employees. Nonetheless, there are many exemptions for specific types of business activities and certain credits permitted under the B&O tax statutes. One such credit is allowed to employers that provide financial incentives to their employees to ride-share, take public transportation, or use non-motorized commuting options.

Public and privately-owned utilities, and certain other businesses, are subject to the state public utility tax. The public utility tax is applied to the gross receipts of the business. The applicable tax rate depends on the nature of the public service provided by the utility. Revenues are deposited to the state general fund.

Like the B&O tax, no deductions are allowed under the state public utility tax for the costs of doing business, but a number of exemptions and credits for specific business activities have been enacted. A credit is allowed for ride-sharing incentives and is analogous to the ride-sharing incentives credit in the B&O tax.

No credit against the B&O tax or the public utility tax is specifically available for amounts spent on teleworking activities.

Summary of Bill:

A credit may be taken against business and occupation or public utility taxes owed by an employer for certain telework expenditures, including expenditures on telework equipment, installation, and training. Telework is defined as a work arrangement in which employees regularly work two or more days per week using computers or telecommunications at locations other than traditional workplaces.

Eligible expenditures under the credit include purchases of equipment and services reasonably necessary to facilitate telework, and include amounts spent on sales or use taxes. Eligible equipment expenditures include purchases for items such as desktop and laptop computers, associated hardware, fax machines, modems, and other related equipment for use at home or at an alternate worksite; or for equipment at the employer's place of business to provide remote data or voice access to telework employees. Eligible installation expenditures include one-time expenditures for the installation of access lines at an employee's home.

To receive the telework credit, a business must apply to the Department of Revenue (DOR). DOR must approve applications based on certain criteria. DOR must keep a running total of all credits approved and must deny any credit that would cause the total to exceed \$3 million for a calendar year.

A business may not claim credits that would exceed \$20,000 in total or that would exceed the amount of taxes due under the B&O and public utility tax statutes. A credit taken against B&O tax liability may not also be used as a credit against PUT liability, and vice versa. The credit must be taken in the year that the eligible expenditure was made, and unused credits may not be carried over or refunded. A business that claims a credit must keep records to verify eligibility.

Appropriation: *None.*

Fiscal Note: *Requested on February 9, 2001.*

Effective Date: *The bill takes effect on October 1, 2001.*