
HOUSE BILL 1895

State of Washington

69th Legislature

2025 Regular Session

By Representatives Richards, Paul, Walen, Rule, Volz, Springer, and Shavers

Read first time 02/07/25. Referred to Committee on Finance.

1 AN ACT Relating to establishing a business and occupation tax
2 credit for small business employers providing educational assistance
3 to employees; adding a new section to chapter 82.04 RCW; creating new
4 sections; 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 Washington
7 state faces immense workforce challenges to fill both high paying
8 blue and white-collar jobs. The legislature further finds that nearly
9 half of Washington state high school students are not going into an
10 accredited program after school; this means that high school students
11 are not going to college, community college, or trade school. Rather,
12 these students are largely entering the workforce in predominately
13 low-wage jobs. The legislature intends to work with small businesses
14 to support them while they support their employee's reeducation or
15 training, whether that is through trade school, community college, or
16 college, to ultimately fill high-wage jobs in trades or other
17 industries. The legislature intends to provide small businesses with
18 tax relief in exchange for investments in their employee's education
19 at an accredited institution and participation in the financial aid
20 process to help improve access to the Washington college grant, among
21 other financial aid options. By partnering with small businesses, the

1 legislature intends to help these businesses invest in their
2 employee's long-term success. The legislature intends that the
3 success of this tax preference to be measured through the increased
4 growth of small businesses and in enrollment in accredited
5 institutions.

6 NEW SECTION. **Sec. 2.** 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 imposed in this chapter equal to 100 percent of the
10 costs related to providing educational assistance to employees of
11 small businesses.

12 (2) The credit claimed may not exceed the tax that would
13 otherwise be due under this chapter. Refunds may not be granted in
14 the place of credits. Any amount of credit earned under this section
15 not claimed by the taxpayer in one calendar year may be carried
16 forward for no more than one calendar year immediately following the
17 year that the credit was earned.

18 (3) The total credit amount approved under this section may not
19 exceed \$20,000 for each person claiming the credit in a calendar
20 year.

21 (4) The department must administer the credit. To claim a credit
22 under this section, the person applying must complete an application
23 for credit based on qualifying expenditures incurred by the eligible
24 person the previous calendar year. The department must rule on
25 applications within 60 days of receipt. The department may extend the
26 time of processing an application upon notice to the person and by
27 providing the person an explanation on why the application processing
28 cannot be completed on time.

29 (5) To claim a credit under this section, a person must
30 electronically file with the department all returns, forms, and other
31 information the department requires in an electronic format as
32 provided and approved by the department. Any return, form, or
33 information required to be filed in electronic format under this
34 section is not filed until received by the department in an
35 electronic format. For purposes of this subsection, "returns" has the
36 same meaning as "return" in RCW 82.32.050.

37 (6) The following definitions apply to this section:

1 (a) "Educational assistance" means any payments from an employer
2 directly to an educational institution for educational or training
3 expenses.

4 (b) "Educational expenses" means tuition, books, and on-campus
5 lodging for the employee relating to a transfer associate degree,
6 applied bachelor's degree, registered apprenticeship, specific
7 professional and technical associates degree, or stackable
8 credential.

9 (c) "Educational institution" means any university, college,
10 community college, junior college, technical, vocational, or
11 professional school, or approved noncampus-based apprenticeship
12 program that participates in state financial aid programs
13 administrated by the Washington student achievement council.

14 (d) "Employee" means a full or part-time employee that is a
15 student enrolled in an educational institution in Washington and has
16 filed a free application for federal student aid or filed a free
17 Washington application for state financial aid.

18 (e) "Small business" means any Washington-based corporation,
19 partnership, company cooperative, sole proprietorship, or other legal
20 entity organized or operating for pecuniary or nonpecuniary gain
21 employing 50 or fewer employees in the state of Washington.

22 (7) The ability to earn credits under this section expires
23 January 1, 2037.

24 (8) This section expires January 1, 2038.

25 NEW SECTION. **Sec. 3.** (1) This section is the tax preference
26 performance statement for the tax preference contained in section 2,
27 chapter . . . , Laws of 2025 (section 2 of this act). This performance
28 statement is only intended to be used for subsequent evaluation of
29 the tax preference. It is not intended to create a private right of
30 action by any party or to be used to determine eligibility for
31 preferential tax treatment.

32 (2) The legislature categorizes this tax preference as one
33 intended to provide tax relief for certain businesses or individuals,
34 as indicated in RCW 82.32.808(2)(e).

35 (3) It is the legislature's specific public policy objective to
36 provide reduced tax liability for businesses that provide educational
37 expense assistance for employees.

38 (4) If a review finds that after the effective date of this tax
39 preference the number of businesses in the state that provide

1 educational assistance for employees increases by five percent and
2 enrollment in educational institutions increases by any amount, then
3 the legislature intends to extend the expiration date of this tax
4 preference.

5 (5) In order to obtain the data necessary to perform the review
6 in subsection (4) of this section, the joint legislative audit and
7 review committee may refer to any data collected by the state.

--- END ---