
HOUSE BILL 1811

State of Washington 54th Legislature 1995 Regular Session

By Representatives Ebersole, Sheldon, Conway and Dickerson

Read first time 02/09/95. Referred to Committee on Finance.

1 AN ACT Relating to providing a business and occupation tax credit
2 to firms that maintain a work-based basic skills program to improve the
3 skills of their existing work force; adding new sections to chapter
4 82.04 RCW; adding a new section to chapter 28B.50 RCW; adding a new
5 section to chapter 28C.18 RCW; adding new sections to chapter 43.131
6 RCW; and creating a new section.

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

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

9 (1) The well-being of the state economy depends on a literate,
10 skilled, and adaptable work force. Structural changes in work methods,
11 evolving technologies, corporate restructuring, and intensifying global
12 competition have demanded that employers seek ever-greater
13 contributions from their work force. Commensurate with this demand is
14 the need for the work force to obtain skills upgrading to keep pace
15 with technological change;

16 (2) Washington employers cite the lack of basic skills as a major
17 impediment to improving productivity, providing high-quality customer
18 service, and sustaining work force skills upgrading programs. The
19 investment in human capital study in 1990 reported that nearly one-

1 third of Washington's employers are generally dissatisfied with their
2 employees' basic skills;

3 (3) The 1993 Washington state adult literacy survey indicates that
4 five hundred seventy thousand adult workers in Washington scored in the
5 lowest two, out of five, levels of basic skills on a standardized
6 performance literacy assessment;

7 (4) A 1991 nation-wide manufacturing employer survey conducted by
8 the national association of manufacturers found nearly forty percent of
9 their members are having serious problems upgrading technology or
10 increasing productivity due to major employee skills deficiencies in
11 basic math, reading, and problem solving in their work force; and

12 (5) A recent report from the American society for training and
13 development declares that, "the association between skills and
14 opportunity for individual Americans is powerful and growing . . .
15 Individuals with poor skills do not have much to bargain with; they are
16 condemned to low earnings and limited choices." The data from the 1993
17 Washington State Adult Literacy Survey supports this view.

18 Therefore, the legislature finds it necessary and in the public
19 interest to create a work-based basic skills tax credit in order to
20 promote and assist employer efforts to develop and maintain a quality
21 work force. The legislature further declares that this program serves
22 the vital public purpose of improving an individual's job performance,
23 economic security, citizenship, and family life.

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

26 Unless the context clearly requires otherwise, the definitions in
27 this section apply throughout sections 2 through 4 of this act.

28 (1) "Approved basic skills education program" means a basic skills
29 education program that has received written approval from the office of
30 adult literacy of the state board for community and technical colleges,
31 is offered by a private vocational school, labor organization, or
32 provider licensed by the work force training and education coordinating
33 board, or by one of the higher education institutions that conduct
34 education programs under RCW 28B.50.020.

35 (2) "Basic skills training" means an employer-sponsored training by
36 a qualified basic skills provider that enhances basic computer
37 literacy, English as a second language, reading, writing, or math
38 skills, up to the twelfth grade level, of employees who need to develop

1 skills in these areas in order to function as effectively as needed on
2 the job or be able to adapt to new technologies.

3 (3) "Employee" means an individual resident of Washington who is
4 employed for at least twenty hours per week by the employer seeking the
5 tax credit and who has been continuously employed for at least sixteen
6 weeks.

7 (4) "Employer" means an individual or corporate business that is
8 subject to the business and occupation tax as determined under this
9 chapter.

10 (5) "Employer-sponsored" means a contractual arrangement with a
11 school, college, community-based organization, adult basic skills
12 education program, or other approved provider or an internal program
13 provided by a firm that offers an approved basic skills education
14 program that is paid for by the employer.

15 (6) "Qualified costs of education" means direct instructional
16 expenses incurred for or relating to curriculum development,
17 instructors, materials, or equipment used in the qualifying program, or
18 for tuition, supplies, textbooks, or salaries, including compensation
19 paid to employees while participating in an approved basic skills
20 education program.

21 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.04 RCW
22 to read as follows:

23 (1) In computing the tax imposed under this chapter, a two-tiered
24 tax credit is available to employers:

25 (a) A credit equal to seventy-five percent of an employer's
26 qualified costs of education for an approved basic skills education
27 program shall be granted for an employer-sponsored basic skills
28 training under this chapter, up to fifty thousand dollars per year; and

29 (b) A credit equal to fifty percent of an employer's qualified
30 costs exceeding fifty thousand dollars shall be granted for any
31 employer-sponsored basic skills training under this chapter, up to a
32 maximum allowable credit of one hundred fifty thousand dollars for each
33 taxable year.

34 (2) Only the actual employer qualifying for the credits may use the
35 credits allowed under this section. The credits allowed under this
36 section are limited to the amount of the employer's business and
37 occupation tax liability for the taxable year without regard to this
38 chapter and limited to the amount of tax imposed by this chapter.

1 Unused excess credit in a reporting period may be carried forward to
2 future reporting periods for a maximum of one year.

3 (3) The department shall keep a running total of credits granted
4 under this section during each calendar year. The department shall not
5 allow the aggregate amount of credits taken under this section to
6 exceed ten million dollars during each calendar year. The department
7 shall adjust this aggregate allowable amount annually thereafter by the
8 rate of inflation as indicated by the consumer price index (CPI-W)
9 published by the bureau of labor statistics, United States department
10 of labor for the Seattle, Washington area, based on the prior year's
11 increase.

12 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.04 RCW
13 to read as follows:

14 A tax credit may not be granted under section 3 of this act to an
15 employer of an employee participating in a basic skills education
16 program if the employer receives or requires reimbursement or any form
17 of remuneration for a cost of the education. However, a reimbursement
18 or remuneration that disqualifies an employer under this section does
19 not preclude the employer from including those amounts in calculating
20 program costs for federal corporate income tax purposes.

21 NEW SECTION. **Sec. 5.** A new section is added to chapter 28B.50 RCW
22 to read as follows:

23 The state office of adult literacy in conjunction with the work
24 force training and education coordinating board shall make a report to
25 the legislature by January 30th of every even-numbered year, beginning
26 in 1996, summarizing the progress of the tax incentive program under
27 sections 2 through 4 of this act and listing the number of
28 participants, the providers of training, and the type of training
29 offered. The report must also include, but not be limited to, an
30 evaluation assessment that provides feedback from program participants,
31 feedback from nonparticipants in the workplace, for example line
32 supervisors, regarding program impact and results, and evaluation
33 results from premeasure and postmeasure assessments.

34 NEW SECTION. **Sec. 6.** A new section is added to chapter 28C.18 RCW
35 to read as follows:

1 The work force training and education coordinating board shall
2 adopt rules for limited and uncomplicated procedures and standards it
3 deems necessary for carrying out the curriculum review and evaluation
4 purposes of sections 2 through 5 of this act.

5 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.131 RCW
6 to read as follows:

7 The program providing a business and occupation tax credit to firms
8 that maintain a work-based skills program to improve the skills of
9 their existing work force under sections 2 through 6 of this act shall
10 be terminated on June 30, 2000, as provided in section 8 of this act.

11 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.131 RCW
12 to read as follows:

13 The following acts or parts of acts, as now existing or hereafter
14 amended, are each repealed, effective June 30, 2001:

- 15 (1) Section 2 of this act;
- 16 (2) Section 3 of this act;
- 17 (3) Section 4 of this act;
- 18 (4) Section 5 of this act; and
- 19 (5) Section 6 of this act.

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