

COMMITTEE ON HIGHER EDUCATION

*Rep. Phyllis Kenney, Democratic Co-Chair and
Rep. Don Carlson, Republican Co-Chair*

BILL ANALYSIS

HB 2508

Brief Description: Promoting economic development in Washington by increasing the skills and productivity of workers.

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.

Public and privately owned utilities, and certain other businesses, are subject to the public utility tax instead of the B&O tax. Like the B&O tax, the public utility tax is applied to the gross receipts of the business. The principal difference between the B&O tax and public utility taxes is a higher rate schedule applied under the public utility tax.

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

Summary: The Workforce Training and Education Coordinating Board (Workforce Training Board-) must create a program to close the skills gap. This includes creating partnerships with business and labor, working with the State Board for Community and Technical Colleges (SBCTC-) and other training providers to develop programs that address the skills needs and expand the use of skills standards and customized training. The Workforce Training Board is responsible for accrediting the skills training programs and must maintain a directory of qualified programs.

A business and occupation (B&O) tax credit is provided for state-approved, employer-funded skills training. The skills training is limited to direct expenditures made to upgrade the skills of the employer's existing workforce, in a job class covered by the Fair Labor Standards Act, at a training institution accredited by the Workforce Training Board. This tax credit is

not available for tuition reimbursement programs, except for those institutions accredited by the Workforce Training Board.

An employer may receive a tax credit for 50% of its workforce training payments. It is limited to \$5,000 per employee per calendar year and an employer maximum of \$100,000 per calendar year. The annual state workforce training tax credits is \$1,000,000. Amounts in excess of the yearly employer or state maximum may be carried over for up to five years.

The workforce training tax credit is available for the public utilities tax, but the same workforce training payment cannot be used to obtain tax credits for both the public utilities tax and the B&O tax. Payments used to obtain a job training services credit under RCW 82.04.4333 may not be used to take a B&O tax credit for the same payment.

The application for the tax credit must be submitted to the Department of Revenue after the workforce training payment has been made, and must include an affidavit of compliance. All workforce training payments made before the effective date of this legislation are ineligible.

The Workforce Training Board must report to the Legislature the impact and effectiveness of the tax credit by September 1, 2002.

Appropriation: None.

Fiscal Note: Requested on January 17, 2000.

Effective Date: This act takes effect July 1, 2000 and expires on June 30, 2003.

by Tracey Taylor, Counsel (786-7196)
Office of Program Research
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