

# SENATE BILL REPORT

## SB 5249

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As of February 26, 2013

**Title:** An act relating to creating a business and occupation tax credit for hiring certain persons in manufacturing.

**Brief Description:** Creating a business and occupation tax credit for hiring certain persons in manufacturing.

**Sponsors:** Senators Chase, Schlicher and Shin.

**Brief History:**

**Committee Activity:** Trade & Economic Development: 2/12/13, 2/19/13 [DP-WM].  
**Ways & Means:** 2/25/13.

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### SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Braun, Chair; Smith, Vice Chair; Chase, Ranking Member; Holmquist Newbry, Schlicher and Shin.

**Staff:** Edward Redmond (786-7471)

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Juliana Roe (786-7438)

**Background:** Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited in the state general fund. There are several rate categories, and a business may be subject to 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. However, there are many exemptions for specific types of business activities and certain deductions and credits permitted under the B&O tax statutes.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Summary of Bill:** A B&O tax credit is provided to employers with under 100 full-time employees for the costs of training interns, apprentices, or permanent employees in high-demand advanced manufacturing positions. The credit is equal to 50 percent of the costs of training and may not exceed five thousand dollars per employee. Credit earned by the employer in one calendar year may be carried over to be credited against taxes incurred in a subsequent calendar year. An employer may not receive a credit in excess of \$200,000 per year. Employers claiming the credit must have their training program certified by Impact Washington and file a complete annual survey with the Department of Revenue (DOR).

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony (Trade & Economic Development):** PRO: Washington currently has thousands of job openings but lacks the trained workers to fill them. A lot of these job openings are in the advanced manufacturing sector. These advanced manufacturing positions pay over \$70,000 – high paying jobs. By helping firms to train their workers, we can help get more people back to work. Impact Washington can facilitate the match of students between colleges and small employers, but without a financial incentive to take on the responsibility of managing an intern, most small companies just will not bother. This bill provides that incentive. The fiscal note does not reflect the potential economic benefits to the state which will occur through the growth of our business sector. We need a dynamic fiscal note that can reflect the possible benefits this legislation will provide to our state. The Association of Washington Businesses (AWB) is in strong support of this legislation.

**Persons Testifying (Trade & Economic Development):** PRO: Senator Chase, prime sponsor; Amber Carter, AWB; Ron Newbry, Impact WA.

**Staff Summary of Public Testimony (Ways & Means):** PRO: This bill provides a tax credit. It applies to all skills related to the fabrication process to be able to produce products in an innovation economy. Training programs in community colleges are not the answer because there is not necessarily sufficient demand for a particular skill set to justify setting up in a community college. A factory, however, needs workers skilled in a certain manner and knows how to train them. But, this training process needs to be cost effective. Money invested in training these people will be paid back within a few years.

Students entering the job market have a hard time finding their first job. One advantage of this type of legislation is that it helps encourage the advanced manufacturing industry to bring these young people in and provide them the work experience and education that can be put to practical use within the factory. Impact Washington found that when a company recruits a young person as an intern, it usually hires that person full time. The fallacy of the fiscal note is that it does not look at the positive impact of the revenue stream. An employee in the manufacturing process will bring into the economy about \$5,500 per year.

**Persons Testifying (Ways & Means):** PRO: Senator Chase, prime sponsor; Ron Newbry, Impact WA.