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**HOUSE BILL 2118**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** Representatives Orwall, Cody, Stokesbary, and Pollet

AN ACT Relating to providing a business and occupation tax credit to alleviate the additional costs incurred by small businesses that previously provided health insurance through an association health plan and currently provide nongrandfathered small group coverage; adding a new section to chapter 82.04 RCW; creating a new section; providing an effective date; and providing an expiration date.

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

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

(1) Subject to the limitations in this section, a credit is allowed against the tax imposed under this chapter for a person that:

(a) Previously purchased an association health plan that is no longer offered in this state; and

(b) Currently purchases nongrandfathered small group coverage at a per employee cost that exceeds the per employee cost of the previously purchased association health plan.

(2) The amount of tax credit allowed under this section is the lessor of:

(a) The difference, per employee, between the cost of the association health plan and the nongrandfathered small group health plan, multiplied by the number of employees covered by the plan; or

(b) Five thousand dollars.

(3) Credits allowed under this section may be claimed against taxes due; however, no refunds may be granted for any unused credits. Any amount of credit otherwise allowable under this section not claimed may be carried over and claimed against a person's tax liability for the next succeeding calendar year. Any credit remained unused in the next succeeding calendar year may be carried forward and claimed against the person's tax liability for the second succeeding calendar year; and any credit not used in that second succeeding calendar year may be carried forward and claimed against the person's tax liability for the third succeeding calendar year, but may not be carried over for any calendar year thereafter.

(4) Credits are available on a first in-time basis. The department must disallow any credits, or portion thereof, that would cause the total amount of credits claimed under this section during any calendar year to exceed three million five hundred thousand dollars. If this limitation is reached, the department must notify all persons eligible to take the credit under this section that the annual statewide limit has been met. In addition, the department must provide written notice to any person who has claimed tax credits in excess of the limitation in this subsection. The notice must indicate the amount of tax due and provide that the tax be paid within thirty days from the date of the notice. The department may not assess penalties and interest as provided in chapter 82.32 RCW on the amount due in the initial notice if the amount due is paid by the due date specified in the notice, or any extension thereof.

(5) To claim a credit under this section, a person must electronically file with the department all returns, forms, and any other information required by the department, in an electronic format approved by the department.

(6) No application is necessary for the credit. The person must keep records necessary for the department to verify eligibility under this section.

(7) For purposes of this section, "association health plan" means a health benefit plan or policy issued to a small group through an association or member-governed group as a large group plan.

NEW SECTION. **Sec.**  The provisions of RCW 82.32.805 and 82.32.808 do not apply to the business and occupation tax credit in section 1 of this act.

NEW SECTION. **Sec.**  This act takes effect August 1, 2015.

NEW SECTION. **Sec.**  This act expires December 31, 2019.

**--- END ---**