

HOUSE BILL REPORT

HB 1241

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs

Title: An act relating to providing a business and occupation tax credit for businesses that hire veterans.

Brief Description: Providing a business and occupation tax credit for businesses that hire veterans.

Sponsors: Representatives Muri, G. Hunt, Kilduff, Zeiger, Magendanz, Stambaugh, Hayes, Haler, Condotta and Young.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 1/27/15, 2/2/15 [DP].

Brief Summary of Bill

- Provides a business and occupation or public utility tax credit to qualifying businesses hiring unemployed veterans.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: Do pass. Signed by 7 members: Representatives Appleton, Chair; Robinson, Vice Chair; Johnson, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Hawkins, Sawyer and Van De Wege.

Staff: Kirsten Lee (786-7133).

Background:

Business and Occupation Tax.

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, without any deduction for the costs of doing business. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss. A business may have more than

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one B&O tax rate, depending on the types of activities conducted. Major tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services, and activities not classified elsewhere. Several lower rates also apply to specific business activities.

Tax Preferences.

Washington has over 650 tax preferences authorized in law. A tax preference includes exemptions, deductions, credits and preferential rates. The B&O tax credits provide a dollar-for-dollar offset against tax liability.

Public Utility Tax.

The public utility tax (PUT) is imposed on gross income derived from the operation of public and privately owned utilities, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. The tax is in lieu of the B&O tax. This tax applies only on sales to consumers. There are also varying rates of the PUT, depending on the specific utility activity.

Recently, the federal government enacted a program that provides a tax credit for hiring various groups, including qualified veterans, known as the Work Opportunity Tax Credit. This program was extended to include qualified veterans hired before January 1, 2015, under the Tax Increase Prevention Act of 2014.

Summary of Bill:

The PUT or the B&O tax credits are provided to businesses that provide qualified employment positions to unemployed veterans hired after October 1, 2016.

Tax Credit Qualifications.

A qualified employment position is a permanent full-time employee who works at least 35 hours per week for two consecutive calendar quarters. A veteran is a person who has received an honorable discharge, received a medical discharge with an honorable record, or is currently serving honorably, and who has served as a member in any branch of the Armed Forces, including the National Guard and Armed Forces Reserves. Unemployed means that the veteran was unemployed for at least 30 days immediately preceding the date on which the veteran was hired by the person claiming the credit.

Tax Credit.

The credit is equal to 20 percent of wages and benefits paid up to a maximum of \$1,500 for each qualified employment position filled by an unemployed veteran. The credits are available on a first-in-time basis not to exceed \$1 million in any fiscal year. Credits disallowed in one year can be carried over to the next fiscal year. Carryover to the next fiscal year is only permitted if the cap for the next fiscal year is not exceeded. Priority is given to credits carried over from a previous fiscal year.

Credits may be earned for tax reporting periods through June 30, 2022, and no credits may be claimed after June 30, 2023. Qualifying businesses may not claim both the B&O and the PUT credits.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on October 1, 2016.

Staff Summary of Public Testimony:

(In support) The bill is designed to address the issue of unemployed veterans in Washington. The percentage of unemployed veterans is over the national average at a little over 7 percent. This bill strongly encourages businesses to fill positions with veterans and helps address concerns about the downsizing of military installations, which has a significant impact on our communities and our state. The bill will likely lead to job creation for veterans transitioning out of the Armed Forces and those who have already transitioned and are looking for work.

(Opposed) None.

Persons Testifying: Representative Muri, prime sponsor; and Representative G. Hunt.

Persons Signed In To Testify But Not Testifying: None.