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**SUBSTITUTE HOUSE BILL 2730**

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**State of Washington 65th Legislature 2018 Regular Session**

**By** House Finance (originally sponsored by Representatives Jinkins, Steele, Chapman, Wilcox, Blake, Eslick, Haler, Tharinger, and Slatter)

AN ACT Relating to encouraging employers to promote and support workers' educational attainment; adding a new chapter to Title 82 RCW; and providing an expiration date.

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

NEW SECTION. **Sec.**  (1) The legislature finds that one of the main challenges in meeting Washington state's workforce demand is making college affordable for low-income and middle-income students and engaging employers.

(2) The legislature further finds that to reach workforce attainment goals, efforts must be expanded beyond a focus on students moving directly from high school to college. The Washington state student achievement council identified that one hundred eighty-five thousand nontraditional students aged twenty-five to thirty-four are needed by the year 2023. Working adults without a postsecondary credential have a lot to gain by returning to complete a degree or certificate, including higher wages, fewer periods of unemployment, and more options to meet personal and career goals. However, for many adults the prospect of enrolling in college is daunting. In addition to the typical challenges of affordability and academic preparation, which many students face, adult students also tend to have additional barriers, such as scheduling conflicts, child care availability, and other family commitments.

(3) The legislature also finds that employers play an important role in promoting and supporting worker's educational completion through tuition programs and negotiating flexible schedules. Businesses that help workers complete their education also reduce turnover and talent management costs and are more attractive to new employees. Despite a return of unemployment rates to prerecession levels in some areas and sectors, a skills mismatch remains between employers' critical in-demand skills and the availability of those skills in workers.

(4) Therefore, the legislature intends to encourage small and medium employers to promote and support workers in gaining valuable knowledge, skills, and credentials.

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preferences contained in sections 3 through 5, chapter . . ., Laws of 2018 (sections 3 through 5 of this act). This performance statement is only intended to be used for subsequent evaluation of the tax preferences. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes the tax preferences in this act as ones intended to induce certain designated behavior by taxpayers, as indicated in RCW 82.32.808(2)(a).

(3) It is the legislature's specific public policy objective to encourage employers to support low-income and middle-income workers in their educational attainment. It is the legislature's intent to provide small and medium employers a credit against the business and occupation tax and public utility tax for contributions made to their employees' educational expenses.

(4) To measure the effectiveness of this act in achieving the specific public policy objective described in subsection (3) of this section, the joint legislative audit and review committee must evaluate:

(a) The amount of employer contributions to employee educational expenses as reported to the department; and

(b) The percentage of employer contributions made to employees who qualify for a state need grant under chapter 28B.92 RCW.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the joint legislative audit and review committee may refer to the department of revenue's data.

(6) If the review finds that less than seventy-five percent of employer contributions were made to employees who qualify for a state need grant, the legislature intends to discontinue the tax incentives under this act.

NEW SECTION. **Sec.**  (1) Subject to the limitations in this chapter, an employer with fewer than fifty employees is allowed a credit against the tax imposed by chapters 82.04 and 82.16 RCW for the full amount of approved contributions to qualified educational expenses of eligible employees. The amount of an approved contribution for an employee in any calendar year may not exceed the maximum award of a state need grant under chapter 28B.92 RCW for a student attending a community or technical college as defined under RCW 28B.50.030. Except as provided in section 4(2) of this act, an employer may not claim a credit in excess of five thousand dollars in any calendar year.

(2) The department must keep a running total of all credits approved under this chapter for each calendar year. The department may not approve any credits under this section that would cause the total amount of approved credits statewide to exceed five hundred thousand dollars in any calendar year.

(3) The credit may be claimed against any tax due under chapters 82.04 and 82.16 RCW only in the calendar year immediately following the calendar year in which the credit was approved by the department and the contribution was made. The amount of credit claimed for a reporting period may not exceed the tax otherwise due under this chapter for that reporting period. Credits may not be carried over to subsequent years. No refunds may be granted for credits under this chapter.

(4) No person may claim a credit against taxes due under both chapter 82.04 RCW and chapter 82.16 RCW for the same contribution to qualified educational expenses.

(5) To claim a credit under this chapter, a person must electronically file with the department all returns, forms, and other information the department requires in an electronic format as provided or approved by the department. Any return, form, or information required to be filed in an electronic format under this section is not filed until received by the department in an electronic format. As used in this section, "returns" has the same meaning as "return" in RCW 82.32.050.

(6) The department must require a person claiming a credit under this chapter to submit sufficient information for the joint legislative audit and review committee to perform the review required under section 2 of this act.

NEW SECTION. **Sec.**  (1) Application for tax credits under this chapter must be submitted to the department before making a contribution to qualified educational expenses. The application must be made to the department in a form and manner prescribed by the department. The application must include the proposed amount of contribution to qualified educational expenses for eligible employees, the proposed number of employees receiving a contribution, and other information required by the department to determine eligibility under this chapter. The department must rule on the application within forty-five days. Applications must be approved on a first-come basis.

(2) By November 15th of each calendar year, if the tax credits approved by the department for that calendar year do not exceed the statewide limit in section 3(2) of this act, applicants previously approved for credits during the same calendar year under section 3 of this act may apply for a credit in excess of the limit in section 3(1) of this act. The department must notify eligible applicants that additional credit is available under this subsection on a first-come basis.

(3) The department may not accept any applications before January 1, 2019, or after December 31, 2028. The department may not allow any credit to be claimed before January 1, 2020, or after December 31, 2029.

NEW SECTION. **Sec.**  (1) A person that was approved for credit as provided in this chapter must make the total approved contribution by the end of the calendar year in which the contribution was approved.

(2) A person that does not make a contribution as required in subsection (1) of this section forfeits all credits for the approved contribution.

NEW SECTION. **Sec.**  The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Applicant" means a person applying for a tax credit under this chapter.

(2) "Contribution" means cash contributions.

(3) "Eligible employees" are employees with a normal workweek of at least thirty-five hours and annual earnings from the employer of less than fifty-five thousand dollars.

(4) "Person" has the meaning given in RCW 82.04.030.

(5) "Qualified educational expenses" means the cost of tuition, fees, room and board, supplies, equipment, and books related to enrollment in: An institution of higher education, as defined in RCW 28B.10.016, a degree-granting institution under RCW 28B.85.010, or a private vocational school under chapter 28C.10 RCW.

NEW SECTION. **Sec.**  Chapter 82.32 RCW applies to the administration of this chapter.

NEW SECTION. **Sec.**  This chapter expires December 31, 2029.

NEW SECTION. **Sec.**  Sections 1 through 8 of this act constitute a new chapter in Title 82 RCW.

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