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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)

READ FIRST TIME 02/06/18.

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

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

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

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

1 barriers, such as scheduling conflicts, child care availability, and  
2 other family commitments.

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

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

15 NEW SECTION. **Sec. 2.** (1) This section is the tax preference  
16 performance statement for the tax preferences contained in sections 3  
17 through 5, chapter . . . , Laws of 2018 (sections 3 through 5 of this  
18 act). This performance statement is only intended to be used for  
19 subsequent evaluation of the tax preferences. It is not intended to  
20 create a private right of action by any party or be used to determine  
21 eligibility for preferential tax treatment.

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

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

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

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

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

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

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

8 NEW SECTION. **Sec. 3.** (1) Subject to the limitations in this  
9 chapter, an employer with fewer than fifty employees is allowed a  
10 credit against the tax imposed by chapters 82.04 and 82.16 RCW for  
11 the full amount of approved contributions to qualified educational  
12 expenses of eligible employees. The amount of an approved  
13 contribution for an employee in any calendar year may not exceed the  
14 maximum award of a state need grant under chapter 28B.92 RCW for a  
15 student attending a community or technical college as defined under  
16 RCW 28B.50.030. Except as provided in section 4(2) of this act, an  
17 employer may not claim a credit in excess of five thousand dollars in  
18 any calendar year.

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

24 (3) The credit may be claimed against any tax due under chapters  
25 82.04 and 82.16 RCW only in the calendar year immediately following  
26 the calendar year in which the credit was approved by the department  
27 and the contribution was made. The amount of credit claimed for a  
28 reporting period may not exceed the tax otherwise due under this  
29 chapter for that reporting period. Credits may not be carried over to  
30 subsequent years. No refunds may be granted for credits under this  
31 chapter.

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

35 (5) To claim a credit under this chapter, a person must  
36 electronically file with the department all returns, forms, and other  
37 information the department requires in an electronic format as  
38 provided or approved by the department. Any return, form, or  
39 information required to be filed in an electronic format under this

1 section is not filed until received by the department in an  
2 electronic format. As used in this section, "returns" has the same  
3 meaning as "return" in RCW 82.32.050.

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

8 NEW SECTION. **Sec. 4.** (1) Application for tax credits under this  
9 chapter must be submitted to the department before making a  
10 contribution to qualified educational expenses. The application must  
11 be made to the department in a form and manner prescribed by the  
12 department. The application must include the proposed amount of  
13 contribution to qualified educational expenses for eligible  
14 employees, the proposed number of employees receiving a contribution,  
15 and other information required by the department to determine  
16 eligibility under this chapter. The department must rule on the  
17 application within forty-five days. Applications must be approved on  
18 a first-come basis.

19 (2) By November 15th of each calendar year, if the tax credits  
20 approved by the department for that calendar year do not exceed the  
21 statewide limit in section 3(2) of this act, applicants previously  
22 approved for credits during the same calendar year under section 3 of  
23 this act may apply for a credit in excess of the limit in section  
24 3(1) of this act. The department must notify eligible applicants that  
25 additional credit is available under this subsection on a first-come  
26 basis.

27 (3) The department may not accept any applications before January  
28 1, 2019, or after December 31, 2028. The department may not allow any  
29 credit to be claimed before January 1, 2020, or after December 31,  
30 2029.

31 NEW SECTION. **Sec. 5.** (1) A person that was approved for credit  
32 as provided in this chapter must make the total approved contribution  
33 by the end of the calendar year in which the contribution was  
34 approved.

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

1        NEW SECTION.    **Sec. 6.**    The definitions in this section apply  
2 throughout this chapter unless the context clearly requires  
3 otherwise.

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

6        (2) "Contribution" means cash contributions.

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

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

11       (5) "Qualified educational expenses" means the cost of tuition,  
12 fees, room and board, supplies, equipment, and books related to  
13 enrollment in: An institution of higher education, as defined in RCW  
14 28B.10.016, a degree-granting institution under RCW 28B.85.010, or a  
15 private vocational school under chapter 28C.10 RCW.

16       NEW SECTION.    **Sec. 7.**    Chapter 82.32 RCW applies to the  
17 administration of this chapter.

18       NEW SECTION.    **Sec. 8.**    This chapter expires December 31, 2029.

19       NEW SECTION.    **Sec. 9.**    Sections 1 through 8 of this act  
20 constitute a new chapter in Title 82 RCW.

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