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ENGROSSED SUBSTITUTE HOUSE BILL 2565

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State of Washington

59th Legislature

2006 Regular Session

By House Committee on Commerce & Labor (originally sponsored by Representatives Kilmer, Haler, Wallace, Strow, Clibborn, Morrell, McCoy, Appleton, Ericks, Linville, Simpson, Green and Springer)

READ FIRST TIME 02/07/06.

1 AN ACT Relating to a worker training business and occupation tax  
2 credit; amending RCW 82.04.4333 and 82.32.590; adding a new section to  
3 chapter 82.32 RCW; providing an effective date; and providing an  
4 expiration date.

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

6 **Sec. 1.** RCW 82.04.4333 and 1996 c 1 s 4 are each amended to read  
7 as follows:

8 ~~(1) ((There may be credited against the tax imposed by this~~  
9 ~~chapter, the value of state approved, employer provided or sponsored~~  
10 ~~job training services designed to enhance the job related performance~~  
11 ~~of employees, for those businesses eligible for a tax deferral under~~  
12 ~~chapter 82.60 RCW.)) In computing the tax imposed under this chapter,~~  
13 ~~a credit is allowed for fifty percent of the value of qualified worker~~  
14 ~~training expenses incurred by a qualified employer.~~

15 (2) The value of the ~~((state approved, job training services))~~  
16 qualified worker training expenses provided by the qualified employer  
17 to ~~((the))~~ a new or existing employee, without charge, shall be  
18 determined by the allocation of the cost method using generally  
19 accepted accounting standards.

1       ~~(3) ((The credit allowed under this section shall be limited to an~~  
2 ~~amount equal to twenty percent of the value of the state approved, job~~  
3 ~~training services determined under subsection (2) of this section.))~~  
4       The total credits allowed under this section for a ~~((business))~~  
5 qualified employer shall not exceed ~~((five))~~ the lesser of ten thousand  
6 dollars per calendar year or the amount of tax otherwise due under this  
7 chapter for the calendar year. Credits may not be carried over to  
8 subsequent calendar years. No refunds may be granted for any unused  
9 credits. Credits may not be approved on training expenses incurred  
10 prior to January 1, 2007. Approved credits must be taken for taxes due  
11 for the calendar year following the calendar year in which the  
12 qualified expenses were incurred.

13       (4) The total credits allowed under this section for all qualified  
14 employers shall not exceed two million dollars per calendar year for  
15 credits taken for qualified worker training under subsection (6)(f)(i),  
16 (ii), and (iii) of this section. The total credits allowed under this  
17 section for all qualified employers shall not exceed one million  
18 dollars per calendar year for credits taken for qualified worker  
19 training under subsection (6)(f)(iv) of this section. The department  
20 shall allow the use of the credits on a first-in-time basis.

21       (5) Prior to claiming the credit under this section, the  
22 ~~((business))~~ qualified employer must obtain approval of the proposed  
23 ~~((job training service))~~ worker training expenses from the ~~((employment~~  
24 ~~security department))~~ work force training and education coordinating  
25 board. The employer's request for approval must include a description  
26 of the proposed ~~((job))~~ worker training service, how the ~~((job))~~ worker  
27 training will enhance the employee's performance, and the cost of the  
28 proposed ~~((job))~~ worker training.

29       ~~((5) This section only applies to training in respect to eligible~~  
30 ~~business projects for which an application is approved on or after~~  
31 ~~January 1, 1996.))~~ (6) For the purposes of this section:

32       (a) "Manufacturing" has the meaning provided in RCW 82.04.120.  
33 "Manufacturing" also includes computer programming, the production of  
34 computer software, and other computer-related services, and the  
35 activities performed by research and development laboratories and  
36 commercial testing laboratories.

37       (b) "Pilot scale manufacturing" has the meaning provided in RCW  
38 82.63.010.

1 (c) "Qualified employer" means an independently owned and operated  
2 business located in Washington with less than fifty employees worldwide  
3 that is engaged in a manufacturing, pilot scale manufacturing, or  
4 qualified research and development operation.

5 (d) "Qualified research and development operation" has the meaning  
6 provided in RCW 82.63.010.

7 (e) "Qualified worker training expenses" means the amount of  
8 qualified worker training expenditures that exceed the lesser of: (i)  
9 The employer's average annual amount of qualified worker training  
10 expenditures for the previous five calendar years; or (ii) the  
11 employer's annual amount of qualified worker training expenditures for  
12 the previous year.

13 (f) "Qualified worker training" means instruction to enhance an  
14 employee's job-related performance through: (i) A course or program at  
15 an institution of higher education, as defined in RCW 28B.10.016, or a  
16 private vocational school licensed under RCW 28C.10.060; (ii) a  
17 private, nonprofit educational institution, the main campus of which is  
18 permanently situated in the state, and that: (A) Is open to residents  
19 of the state; (B) does not restrict entry on racial or religious  
20 grounds; (C) provides programs beyond high school leading to at least  
21 the baccalaureate degree; and (D) is accredited by the Northwest  
22 association of schools and colleges or by an accrediting association  
23 recognized by the higher education coordinating board; (iii) training  
24 provided by Washington manufacturing services; or (iv) for employers  
25 with more than two and less than twenty employees, training provided by  
26 the employer on premises the value of which is determined according to  
27 subsection (2) of this section.

28 (7) This section expires December 31, 2012.

29 NEW SECTION. Sec. 2. A new section is added to chapter 82.32 RCW  
30 to read as follows:

31 (1) The legislature finds that accountability and effectiveness are  
32 important aspects of setting tax policy. In order to make policy  
33 choices regarding the best use of limited state resources, the  
34 legislature needs information on how a tax incentive is used.

35 (2)(a) A person who claims the tax credit under RCW 82.04.4333  
36 shall file a complete annual survey with the department. The survey is  
37 due by March 31st following any year in which a person takes the credit

1 under RCW 82.04.4333. The department may extend the due date for  
2 timely filing of annual surveys under this section as provided in RCW  
3 82.32.590. The survey shall also include the following information for  
4 employment positions in Washington:

5 (i) The number of total employment positions;

6 (ii) Full-time, part-time, and temporary employment positions as a  
7 percent of total employment;

8 (iii) The number of employment positions according to the following  
9 wage bands: Less than thirty thousand dollars; thirty thousand dollars  
10 or greater, but less than sixty thousand dollars; and sixty thousand  
11 dollars or greater. A wage band containing fewer than three  
12 individuals may be combined with another wage band;

13 (iv) The number of employment positions that have employer-provided  
14 medical, dental, and retirement benefits, by each of the wage bands;

15 (v) The number of people receiving qualified worker training;

16 (vi) The average cost of the qualified worker training;

17 (vii) The cost of the program administration; and

18 (viii) The type of qualified worker training received, including  
19 the average length of training.

20 (b) As part of the annual survey, the department may request  
21 additional information necessary to measure the results of, or  
22 determine eligibility for, the tax credit in RCW 82.04.4333.

23 (c) All information collected under this section, except the amount  
24 of the tax credit taken under RCW 82.04.4333 is deemed taxpayer  
25 information under RCW 82.32.330. Information on the amount of the tax  
26 credit is not subject to the confidentiality provisions of RCW  
27 82.32.330 and may be disclosed to the public upon request, except as  
28 provided in (d) of this subsection. If the amount of the tax credit as  
29 reported on the survey is different than the amount actually reduced  
30 based on the taxpayer's excise tax returns or otherwise allowed by the  
31 department, the amount actually reduced may be disclosed.

32 (d) Persons for whom the actual amount of the tax credit is less  
33 than ten thousand dollars during the period covered by the survey may  
34 request the department to treat the amount of the tax reduction as  
35 confidential under RCW 82.32.330.

36 (3) If a person fails to submit a complete annual survey under  
37 subsection (2) of this section by the due date or any extension under  
38 RCW 82.32.590, the department shall declare the amount of tax credit

1 taken under RCW 82.04.4333 for the period covered by the survey to be  
2 immediately due and payable. The department shall assess interest, but  
3 not penalties, on the taxes. Interest shall be assessed at the rate  
4 provided for delinquent excise taxes under this chapter, retroactively  
5 to the date the reduced taxes were due, and shall accrue until the  
6 amount of the reduced taxes is repaid.

7 (4) The department shall use the information from the annual survey  
8 required under subsection (2) of this section to prepare summary  
9 descriptive statistics by category including the number of qualified  
10 employers utilizing the credit by firm size:

- 11 (a) Under five employees;
- 12 (b) Five to ten employees;
- 13 (c) Eleven to twenty-five employees; and
- 14 (d) Twenty-six to forty-nine employees.

15 The department shall report these statistics to the legislature  
16 each year by September 1st.

17 (5) By November 1, 2010, the fiscal committees of the house of  
18 representatives and the senate, in consultation with the department,  
19 shall report to the legislature on the effectiveness of the tax credit  
20 provided in RCW 82.04.4333 in regard to keeping Washington competitive.  
21 The report shall measure the effect of the tax credit provided in RCW  
22 82.04.4333 on job retention, net jobs created for Washington residents,  
23 company growth, diversification of the state's economy, cluster  
24 dynamics, and other factors as the committees select. The report shall  
25 include a discussion of principles to apply in evaluating whether the  
26 legislature should extend the tax credit provided in RCW 82.04.4333.

27 **Sec. 3.** RCW 82.32.590 and 2005 c 514 s 1001 are each amended to  
28 read as follows:

29 (1) If the department finds that the failure of a taxpayer to file  
30 an annual survey under RCW 82.04.4452 or 82.04.4333 by the due date was  
31 the result of circumstances beyond the control of the taxpayer, the  
32 department shall extend the time for filing the survey. Such extension  
33 shall be for a period of thirty days from the date the department  
34 issues its written notification to the taxpayer that it qualifies for  
35 an extension under this section. The department may grant additional  
36 extensions as it deems proper.

1           (2) In making a determination whether the failure of a taxpayer to  
2 file an annual survey by the due date was the result of circumstances  
3 beyond the control of the taxpayer, the department shall be guided by  
4 rules adopted by the department for the waiver or cancellation of  
5 penalties when the underpayment or untimely payment of any tax was due  
6 to circumstances beyond the control of the taxpayer.

7           NEW SECTION.   **Sec. 4.** This act takes effect January 1, 2007.

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