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**Finance Committee**

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**HB 1981**

**Brief Description:** Modifying the rural county tax credit provided in chapter 82.62 RCW.

**Sponsors:** Representatives Driscoll, Parker, Wood and Ormsby.

**Brief Summary of Bill**

- Changes the eligibility to qualify for the rural county business and occupation tax credit by eliminating the requirement that a business must expand an existing workforce by a 15 percent.

**Hearing Date:** 2/24/09

**Staff:** Joseph Archuleta (786-7192)

**Background:**

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. Depending on the types of activities conducted, a business may have more than one B&O tax rate. There are a number of different rates. The main rates are: 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for professional and personal services, as well as activities not classified elsewhere.

A credit against the B&O tax is provided for manufacturing, research and development (R&D), or computer service firms that create new jobs in rural counties or community empowerment areas. Rural counties are defined as those with an average population density of less than 100 persons per square mile. Community empowerment areas exist in King, Kitsap, Pierce, and Spokane counties. The amount of the credit is \$2,000 for each new job created, unless the new position is paid wages (including benefits) of more than \$40,000 annually, in which case the credit is \$4,000. To qualify the firm must increase its total employment in an eligible area by at least 15 percent. The amount of credit is capped at \$7.5 million annually for all firms.

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In the 2007 session, the jobs credit program was changed so that the 15 percent job increase percentage is calculated by comparing the employment in the four full calendar quarters after the employees are hired to employment in the four full calendar quarters before the employees were hired. Prior to 2007 the 15 percent job increase percentage was calculated by the average increase (full-time employment positions) over the preceding calendar year.

**Summary of Bill:**

Changes the eligibility to qualify for the rural county business and occupation tax credit by eliminating the requirement that a business must expand an existing workforce by a 15 percent average increase over the four calendar quarters after the quarter in which a position was filled. Subsequently, a business needs only to expand an existing workforce to qualify.

The act applies to applications for credit received by the Department of Revenue on or after January 1, 2010.

**Appropriation:** None.

**Fiscal Note:** Requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.