

SENATE BILL REPORT

SB 6564

As Reported by Senate Committee On:
Human Services, Reentry & Rehabilitation, February 5, 2020

Title: An act relating to providing incentives to employers to hire certain hard-to-place job seekers.

Brief Description: Providing incentives to employers to hire certain hard-to-place job seekers.

Sponsors: Senators Braun, Becker and Zeiger.

Brief History:

Committee Activity: Human Services, Reentry & Rehabilitation: 2/04/20, 2/05/20 [DPS-WM].

Brief Summary of First Substitute Bill

- Provides a business and occupation and public utility tax to qualifying businesses hiring certain unemployed persons, such as persons convicted of a felony, recipients of certain federal or state benefits, and homeless persons.

SENATE COMMITTEE ON HUMAN SERVICES, REENTRY & REHABILITATION

Majority Report: That Substitute Senate Bill No. 6564 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Darneille, Chair; Nguyen, Vice Chair; Walsh, Ranking Member; Cleveland, O'Ban, Wilson, C. and Zeiger.

Staff: Alison Mendiola (786-7488)

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 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

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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.

Tax Credit for Hiring Certain Groups. The federal government enacted the Work Opportunity Tax Credit that provides a tax credit for hiring various persons, including qualified veterans. In 2015, the Legislature authorized a B&O or PUT credit to qualifying businesses that hire unemployed veterans.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (First Substitute): PUT or B&O tax credits are provided to businesses providing qualified employment positions to certain unemployed persons, such as persons convicted of a felony, recipients of certain federal or state benefits, and homeless persons.

Tax Credit Qualifications. A qualified employment position is a permanent, full-time employee who works at least 35 hours per week for two consecutive quarters.

Homeless person means an individual living outside or in a building not meant for human habitation or which they have no legal right to occupy, in an emergency shelter, or in a temporary housing program which may include a transitional and supportive housing program if habitation time limits exist. This definition includes substance abusers, people with mental illness, and sex offenders who are homeless.

Person convicted of a felony means a person, including a juvenile, convicted of a felony under state or federal law who is hired within one year after the last date that the person was convicted or released from a juvenile rehabilitation facility or prison.

Recipient of food benefits means a person between the ages of 18 and 39 who is a recipient of food benefits as provided under state law.

Recipient of Temporary Assistance of Needy Families (TANF) means a recipient of TANF as provided under state law.

Supplemental Security Income (SSI) recipient means a person receiving federal SSI benefits.

Vocational rehabilitation referrals means an injured worker referred for vocational rehabilitation services as provided for under state law.

Qualifying employee means a person who meets all of the following requirements:

- is a homeless person, a person convicted of a felony, a recipient of food benefits, a recipient of TANF, a SSI recipient, or a vocational rehabilitation referral;
- was unemployed for at least 30 days immediately preceding the date that the person was hired by the person claiming the tax credit; and
- is employed in a full-time, permanent position for least two consecutive quarters by the person claiming the tax credit.

Tax Credit. The tax 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 a qualifying employee hired on or after October 1, 2020. Unused credits can be carried over to the next fiscal year. No refunds may be granted for this credit. Qualifying businesses may not claim both B&O and PUT credits.

If an employer discharges a qualifying employee for whom the employer has claimed a credit, the employer may not claim a new credit under this act for one year from the date the qualifying employee was discharged, unless the qualifying employee was discharged for misconduct connected with the employee's work or discharged due to a felony or gross misdemeanor conviction, and the employer contemporaneously documents the reason for discharge.

Credits may be earned for tax reporting periods through June 30, 2029, and no credits may be claimed after June 30, 2030.

Joint Legislative Audit Review Committee. The Joint Legislative Audit Review Committee (JLARC) must review the tax credits established by December 31, 2029. If JLARC finds the number of unemployed persons who meet the criteria of a qualified employee decrease by 30 percent, then the Legislature intends for the legislative auditor to recommend extending the expiration date of this tax preference. In order to obtain the necessary data, JLARC should refer to unemployment rates from the Employment Security Department and the Bureau of Labor Statistics.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony on First Substitute: PRO: A constituent came forward who was housing a person after release from prison, familiar with the federal Work Opportunity Tax Credit which was the model for this bill. People are committed to turning their lives around, it does not always work out and not every business would think of this, but this provides a way to engage the private sector to help set people on a good path. When you are incarcerated, you are in a very structured environment which is why upon release people need to work as soon as possible, to continue with that structure, reacclimate with society and work on social skills. Programs like Goodwill are built on the model providing free training

programs funded by revenue from the sale of goods, these programs help people overcome barriers. Goodwill works with the community, builds relationships with employers and the jobs that people receive truly change lives. It is important for those with a criminal background, which is more common than most people realize, to get a leg up, the all important first job after release. Businesses that want to help need support. This tax credit is a win-win for everyone involved.

Persons Testifying: PRO: Senator John Braun, Prime Sponsor; Tanya Quinata, citizen; Daryl Campbell, Goodwill Industries; Zachary Kinneman, citizen.

Persons Signed In To Testify But Not Testifying: No one.