
SENATE BILL 5472

State of Washington **68th Legislature** **2023 Regular Session**

By Senators Gildon, Wellman, C. Wilson, Kuderer, and Nguyen

Read first time 01/19/23. Referred to Committee on Labor & Commerce.

1 AN ACT Relating to providing incentives to employers to hire
2 certain hard-to-place job seekers; adding a new section to chapter
3 82.04 RCW; adding a new section to chapter 82.16 RCW; creating a new
4 section; and providing expiration dates.

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

6 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
7 performance statement for the tax preferences contained in sections 2
8 and 3, chapter . . ., Laws of 2023 (sections 2 and 3 of this act).
9 This performance statement is only intended to be used for subsequent
10 evaluation of the tax preference. It is not intended to create a
11 private right of action by any party or be used to determine
12 eligibility for preferential tax treatment.

13 (2) The legislature categorizes these tax preferences as ones
14 intended to induce certain designated behavior by taxpayers and
15 create or retain jobs, as indicated in RCW 82.32.808(2) (a) and (c).

16 (3) It is the legislature's specific public policy objective to
17 encourage the employment of certain unemployed persons, such as
18 persons convicted of a felony and homeless persons. It is the
19 legislature's intent to provide employers a credit against the
20 business and occupation tax or public utility tax for hiring certain
21 unemployed persons which would reduce an employer's tax burden

1 thereby inducing employers to hire and create jobs for such persons.
2 Pursuant to chapter 43.136 RCW, the joint legislative audit and
3 review committee must review the business and occupation tax and
4 public utility tax credit established under sections 2 and 3,
5 chapter . . ., Laws of 2023 (sections 2 and 3 of this act) by
6 December 31, 2032.

7 (4) If a review finds that the number of unemployed persons who
8 meet the criteria in section 2(7)(c)(i) or 3(7)(c)(i) of this act
9 decreased by 30 percent, then the legislature intends for the
10 legislative auditor to recommend extending the expiration date of the
11 tax preference.

12 (5) In order to obtain the data necessary to perform the review
13 in subsection (4) of this section, the joint legislative audit and
14 review committee should refer to unemployment rates available from
15 the employment security department and the bureau of labor
16 statistics.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04
18 RCW to read as follows:

19 (1) A person is allowed a credit against the tax due under this
20 chapter as provided in this section. The credit equals the lesser of
21 10 percent or \$500 of wages and benefits paid to or on behalf of a
22 qualifying employee, with a maximum of a \$500 credit for each
23 qualifying employee hired on or after October 1, 2023.

24 (2) No credit may be claimed under this section until a
25 qualifying employee has been employed for at least three consecutive
26 full calendar quarters.

27 (3) Unused credit may be carried over and used in subsequent tax
28 reporting periods, except as provided in subsection (8) of this
29 section. No refunds may be granted for credits under this section.

30 (4) If an employer discharges a qualifying employee for whom the
31 employer has claimed a credit under this section, the employer may
32 not claim a new credit under this section for a period of one year
33 from the date the qualifying employee was discharged. However, this
34 subsection (4) does not apply if the qualifying employee was
35 discharged for misconduct, as defined in RCW 50.04.294, connected
36 with his or her work or discharged due to a felony or gross
37 misdemeanor conviction, and the employer contemporaneously documents
38 the reason for discharge.

1 (5) Credits earned under this section may be claimed only on
2 returns filed electronically with the department using the
3 department's online tax filing service or other method of electronic
4 reporting as the department may authorize. No application is required
5 to claim the credit, but the taxpayer must keep records necessary for
6 the department to determine eligibility under this section including
7 records establishing the person's status as a qualifying employee
8 under subsection (7)(c)(i) and (ii) of this section when hired by the
9 taxpayer.

10 (6) No person may claim a credit against taxes due under both
11 this chapter and chapter 82.16 RCW for the same qualifying employee.

12 (7) The definitions in this subsection apply throughout this
13 section unless the context clearly requires otherwise.

14 (a) "Homeless person" has the same meaning as provided in RCW
15 43.185C.010.

16 (b) "Person convicted of a felony" means a person, including a
17 juvenile as defined in RCW 13.40.020, convicted of a felony under
18 state or federal statute who is hired within one calendar year after
19 the last date that the person was convicted or released from a
20 juvenile rehabilitation facility or prison.

21 (c) "Qualifying employee" means a person who meets all of the
22 following requirements:

23 (i) Is a homeless person or a person convicted of a felony;

24 (ii) Was unemployed as defined in RCW 50.04.310 for at least 30
25 days immediately preceding the date that the person was hired by the
26 person claiming the credit under this section; and

27 (iii) Is employed in a permanent full-time position for at least
28 three consecutive full calendar quarters by the person claiming the
29 credit under this section. For seasonal employers, "qualifying
30 employee" also includes the equivalent of a full-time employee in
31 work hours for two consecutive full calendar quarters. For purposes
32 of this subsection (7)(c)(iii), "full-time" means a normal workweek
33 of at least 35 hours.

34 (8) Credits allowed under this section can be earned for tax
35 reporting periods through June 30, 2032. No credits can be claimed
36 after June 30, 2033.

37 (9) This section expires July 1, 2034.

38 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.16
39 RCW to read as follows:

1 (1) A person is allowed a credit against the tax due under this
2 chapter as provided in this section. The credit equals the lesser of
3 10 percent or \$500 of wages and benefits paid to or on behalf of a
4 qualifying employee, with a maximum of a \$500 credit for each
5 qualifying employee hired on or after October 1, 2023.

6 (2) No credit may be claimed under this section until a
7 qualifying employee has been employed for at least three consecutive
8 full calendar quarters.

9 (3) Unused credit may be carried over and used in subsequent tax
10 reporting periods, except as provided in subsection (8) of this
11 section. No refunds may be granted for credits under this section.

12 (4) If an employer discharges a qualifying employee for whom the
13 employer has claimed a credit under this section, the employer may
14 not claim a new credit under this section for a period of one year
15 from the date the qualifying employee was discharged. However, this
16 subsection (4) does not apply if the qualifying employee was
17 discharged for misconduct, as defined in RCW 50.04.294, connected
18 with his or her work or discharged due to a felony or gross
19 misdemeanor conviction, and the employer contemporaneously documents
20 the reason for discharge.

21 (5) Credits earned under this section may be claimed only on
22 returns filed electronically with the department using the
23 department's online tax filing service or other method of electronic
24 reporting as the department may authorize. No application is required
25 to claim the credit, but the taxpayer must keep records necessary for
26 the department to determine eligibility under this section including
27 records establishing the person's status as a qualifying employee
28 under subsection (7)(c)(i) and (ii) of this section when hired by the
29 taxpayer.

30 (6) No person may claim a credit against taxes due under both
31 chapter 82.04 RCW and this chapter for the same qualifying employee.

32 (7) The definitions in this subsection apply throughout this
33 section unless the context clearly requires otherwise.

34 (a) "Homeless person" has the same meaning as provided in RCW
35 43.185C.010.

36 (b) "Person convicted of a felony" means a person, including a
37 juvenile as defined in RCW 13.40.020, convicted of a felony under
38 state or federal statute who is hired within one calendar year after
39 the last date that the person was convicted or released from a
40 juvenile rehabilitation facility or prison.

1 (c) "Qualifying employee" means a person who meets all of the
2 following requirements:
3 (i) Is a homeless person or a person convicted of a felony;
4 (ii) Was unemployed as defined in RCW 50.04.310 for at least 30
5 days immediately preceding the date that the person was hired by the
6 person claiming the credit under this section; and
7 (iii) Is employed in a permanent full-time position for at least
8 three consecutive full calendar quarters by the person claiming the
9 credit under this section. For seasonal employers, "qualifying
10 employee" also includes the equivalent of a full-time employee in
11 work hours for two consecutive full calendar quarters. For purposes
12 of this subsection (7)(c)(iii), "full-time " means a normal workweek
13 of at least 35 hours.
14 (8) Credits allowed under this section can be earned for tax
15 reporting periods through June 30, 2032. No credits can be claimed
16 after June 30, 2033.
17 (9) This section expires July 1, 2034.

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