
SUBSTITUTE HOUSE BILL 2047

State of Washington

69th Legislature

2025 Regular Session

By House Appropriations (originally sponsored by Representatives Richards, Parshley, Macri, and Gregerson)

READ FIRST TIME 04/08/25.

1 AN ACT Relating to eliminating the Washington employee ownership
2 program; amending RCW 82.04.4488; creating a new section; repealing
3 RCW 43.330.590, 43.330.592, and 43.330.595; providing an effective
4 date; providing an expiration date; and declaring an emergency.

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

6 NEW SECTION. **Sec. 1.** The following acts or parts of acts are
7 each repealed:

8 (1) RCW 43.330.590 (Employee ownership program) and 2023 c 392 s
9 2;

10 (2) RCW 43.330.592 (Employee ownership program—Administration—
11 Commission) and 2023 c 392 s 3; and

12 (3) RCW 43.330.595 (Employee ownership revolving loan program
13 account) and 2023 c 392 s 6.

14 **Sec. 2.** RCW 82.04.4488 and 2023 c 392 s 5 are each amended to
15 read as follows:

16 (1) Beginning July 1, 2024, in computing the tax imposed under
17 this chapter, a credit is allowed for costs related to converting a
18 qualifying business to a worker-owned cooperative, employee ownership
19 trust, or an employee stock ownership plan, as provided in this
20 section.

1 (2) The credit is equal to:
2 (a) Up to 50 percent of the conversion costs, not to exceed
3 \$25,000, incurred by a qualified business for converting the
4 qualified business to a worker-owned cooperative or an employee
5 ownership trust; or
6 (b) Up to 50 percent of the conversion costs, not to exceed
7 \$100,000, incurred by a qualified business for converting the
8 qualified business to an employee stock ownership plan.
9 (3) (a) Credit under this section is earned, and claimed against
10 taxes due under this chapter, for the tax reporting period in which
11 the conversion to a worker-owned cooperative, employee ownership
12 trust, or an employee stock ownership plan is complete, or subsequent
13 tax reporting periods as provided in (c) of this subsection.
14 (b) The credit must not exceed the tax otherwise due under this
15 chapter for the tax reporting period.
16 (c) Unused credit may be carried over and used in subsequent tax
17 reporting periods, except that no credit may be claimed more than 12
18 months from the end of the tax reporting period in which the credit
19 was earned.
20 (d) No refunds may be granted for credits under this section.
21 (4) (a) The total amount of credits authorized under this section
22 may not exceed an annual statewide limit of \$2,000,000.
23 (b) Credits must be authorized on a first-in-time basis.
24 (c) No credit may be earned, during any calendar year, on or
25 after the last day of the calendar month immediately following the
26 month the department has determined that \$2,000,000 in credit has
27 been earned.
28 (5) (a) The department may require persons claiming a credit under
29 this section to provide appropriate documentation, in a manner as
30 determined by the department, for the purposes of determining
31 eligibility under this section.
32 (b) Every person claiming a credit under this section must
33 preserve, for a period of five years, any documentation to
34 substantiate the amount of credit claimed.
35 (6) For the purposes of this section:
36 (a) "Conversion costs" means professional services, including
37 accounting, legal, and business advisory services, as detailed in the
38 guidelines issued by the department, for: (i) A feasibility study or
39 other preliminary assessments regarding a transition of a business to
40 an employee stock ownership plan, a worker-owned cooperative, or an

1 employee ownership trust; or (ii) the transition of a business to an
2 employee stock ownership plan, a worker-owned cooperative, or an
3 employee ownership trust.

4 (b) "Employee ownership trust" means an indirect form of employee
5 ownership in which a trust holds a controlling stake in a qualified
6 business and benefits all employees on an equal basis.

7 (c) "Employee stock ownership plan" has the same meaning as set
8 forth in 26 U.S.C. Sec. 4975(e)(7), as of July 1, 2024.

9 (d) "Qualified business" means a person subject to tax under this
10 chapter, including but not limited to a C corporation, S corporation,
11 limited liability company, partnership, limited liability
12 partnership, sole proprietorship, or other similar pass-through
13 entity, that is not owned in whole or in part by an employee
14 ownership trust, that does not have an employee stock ownership plan,
15 or that is not, in whole or in part, a worker-owned cooperative, and
16 that is approved by the department for the tax credit in this
17 section.

18 (e) "Worker-owned cooperative" has the same meaning as set forth
19 in 26 U.S.C. Sec. 1042(c)(2), as of July 1, 2024, or such subsequent
20 dates as may be provided by rule by the department, consistent with
21 the purposes of this section.

22 (7) Credits allowed under this section can be earned for tax
23 reporting periods starting on or before June 30, (~~2029~~) 2025. No
24 credits can be claimed on returns filed for tax periods starting on
25 or after July 1, (~~2030~~) 2026.

26 (8) This section expires July 1, (~~2030~~) 2026.

27 NEW SECTION. **Sec. 3.** Any residual balance of funds remaining in
28 the employee ownership revolving loan program account abolished by
29 this act on the effective date of this section, shall be transferred
30 by the state treasurer to the state general fund.

31 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
32 preservation of the public peace, health, or safety, or support of
33 the state government and its existing public institutions, and takes
34 effect June 30, 2025.

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