
HOUSE BILL 1677

State of Washington

67th Legislature

2022 Regular Session

By Representatives Abbarno, Corry, Boehnke, Klippert, Sutherland, MacEwen, Eslick, and Chambers

Prefiled 12/20/21.

1 AN ACT Relating to employer tax incentives for the support of
2 veterans and military families; amending RCW 82.04.4498 and
3 82.16.0499; creating a new section; and providing expiration dates.

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

5 NEW SECTION. **Sec. 1.** The legislature recognizes that the
6 impacts of the COVID-19 pandemic on veterans and military families
7 have been especially hard. The legislature also finds that labor
8 shortages are contributing to the ongoing supply chain disruptions
9 facing many industries, and hiring incentives for veterans and their
10 families can help our economy. The legislature intends to extend the
11 expiration date for the tax incentive for hiring veterans, increase
12 the value of the incentive, increase the statewide incentive cap, and
13 expand eligibility. The legislature finds that concerns for
14 underemployment and unemployment of spouses is a major issue for
15 active duty service members. Therefore, the legislature intends to
16 expand eligibility for the previously existing unemployed veteran
17 hiring tax credit to spouses of active duty military and veterans.
18 The legislature finds that the current requirement that a veteran be
19 unemployed for at least 30 days prior to hiring to be eligible for
20 the tax credit can worsen economic hardship rather than expedite
21 economic support, and creates unnecessary administrative complexity

1 that may hinder utilization of the incentive by employers. Therefore,
2 the legislature intends for employers to be eligible for the tax
3 credit regardless of the duration of unemployment.

4 **Sec. 2.** RCW 82.04.4498 and 2015 3rd sp.s. c 6 s 1002 are each
5 amended to read as follows:

6 (1) A person is allowed a credit against the tax due under this
7 chapter as provided in this section. The credit equals twenty percent
8 of wages and benefits paid to or on behalf of a qualified employee up
9 to a maximum of (~~one thousand five hundred dollars~~):

10 (a) \$1,500 for each qualified employee hired on or after October
11 1, 2016, but prior to July 1, 2022; or

12 (b) \$3,000 for each qualified employee hired on or after July 1,
13 2022.

14 (2) No credit may be claimed under this section until a qualified
15 employee has been employed for at least two consecutive full calendar
16 quarters.

17 (3) Credits are available on a first-in-time basis. The
18 department must keep a running total of all credits allowed under
19 this section and RCW 82.16.0499 during each fiscal year. The
20 department may not allow any credits that would cause the total
21 credits allowed under this section and RCW 82.16.0499 to exceed
22 (~~five hundred thousand dollars~~) \$5,000,000 in any fiscal year. If
23 all or part of a claim for credit is disallowed under this
24 subsection, the disallowed portion is carried over to the next fiscal
25 year. However, the carryover into the next fiscal year is only
26 permitted to the extent that the cap for the next fiscal year is not
27 exceeded. Priority must be given to credits carried over from a
28 previous fiscal year. The department must provide written notice to
29 any person who has claimed tax credits in excess of the limitation in
30 this subsection. The notice must indicate the amount of tax due and
31 provide that the tax be paid within thirty days from the date of the
32 notice. The department may not assess penalties and interest as
33 provided in chapter 82.32 RCW on the amount due in the initial notice
34 if the amount due is paid by the due date specified in the notice, or
35 any extension thereof.

36 (4) The credit may be used against any tax due under this
37 chapter, and may be carried over until used, except as provided in
38 subsection (9) of this section. No refunds may be granted for credits
39 under this section.

1 (5) If an employer discharges a qualified employee for whom the
2 employer has claimed a credit under this section, the employer may
3 not claim a new credit under this section for a period of one year
4 from the date the qualified employee was discharged. However, this
5 subsection (5) does not apply if the qualified employee was
6 discharged for misconduct, as defined in RCW 50.04.294, connected
7 with his or her work or discharged due to a felony or gross
8 misdemeanor conviction, and the employer contemporaneously documents
9 the reason for discharge.

10 (6) Credits earned under this section may be claimed only on
11 returns filed electronically with the department using the
12 department's online tax filing service or other method of electronic
13 reporting as the department may authorize. No application is required
14 to claim the credit, but the taxpayer must keep records necessary for
15 the department to determine eligibility under this section including
16 records establishing the person's status as a veteran and status as
17 unemployed when hired by the taxpayer.

18 (7) No person may claim a credit against taxes due under both
19 this chapter and chapter 82.16 RCW for the same qualified employee.

20 (8) The definitions in this subsection apply throughout this
21 section unless the context clearly requires otherwise.

22 (a)(i) ~~"Qualified employee" means ((an unemployed))~~ a veteran,
23 spouse of a veteran, or spouse of an active duty military member who
24 is employed in a permanent full-time position for at least two
25 consecutive full calendar quarters. For seasonal employers,
26 "qualified employee" also includes the equivalent of a full-time
27 employee in work hours for two consecutive full calendar quarters.

28 (ii) For purposes of this subsection (8)(a), "full time" means a
29 normal workweek of at least thirty-five hours.

30 (b) ~~((~~"Unemployed" means that the veteran was unemployed as~~~~
31 ~~defined in RCW 50.04.310 for at least thirty days immediately~~
32 ~~preceding the date that the veteran was hired by the person claiming~~
33 ~~credit under this section for hiring the veteran.~~

34 ~~(e))~~ "Veteran" means every person who has received an honorable
35 discharge or received a general discharge under honorable conditions
36 or is currently serving honorably, and who has served as a member in
37 any branch of the armed forces of the United States, including the
38 national guard and armed forces reserves.

1 (9) Credits allowed under this section can be earned for tax
2 reporting periods through June 30, (~~(2022)~~) 2032. No credits can be
3 claimed after June 30, (~~(2023)~~) 2033.

4 (10) This section expires July 1, (~~(2023)~~) 2033.

5 **Sec. 3.** RCW 82.16.0499 and 2015 3rd sp.s. c 6 s 1003 are each
6 amended to read as follows:

7 (1) A person is allowed a credit against the tax due under this
8 chapter as provided in this section. The credit equals twenty percent
9 of wages and benefits paid to or on behalf of a qualified employee up
10 to a maximum of (~~(one thousand five hundred dollars)~~);

11 (a) \$1,500 for each qualified employee hired on or after October
12 1, 2016, but prior to July 1, 2022; or

13 (b) \$3,000 for each qualified employee hired on or after July 1,
14 2022.

15 (2) No credit may be claimed under this section until a qualified
16 employee has been employed for at least two consecutive full calendar
17 quarters.

18 (3) Credits are available on a first-in-time basis. The
19 department must keep a running total of all credits allowed under
20 this section and RCW 82.04.4498 during each fiscal year. The
21 department may not allow any credits that would cause the total
22 credits allowed under this section and RCW 82.04.4498 to exceed
23 (~~(five hundred thousand dollars)~~) \$5,000,000 in any fiscal year. If
24 all or part of a claim for credit is disallowed under this
25 subsection, the disallowed portion is carried over to the next fiscal
26 year. However, the carryover into the next fiscal year is only
27 permitted to the extent that the cap for the next fiscal year is not
28 exceeded. Priority must be given to credits carried over from a
29 previous fiscal year. The department must provide written notice to
30 any person who has claimed tax credits in excess of the limitation in
31 this subsection. The notice must indicate the amount of tax due and
32 provide that the tax be paid within thirty days from the date of the
33 notice. The department may not assess penalties and interest as
34 provided in chapter 82.32 RCW on the amount due in the initial notice
35 if the amount due is paid by the due date specified in the notice, or
36 any extension thereof.

37 (4) The credit may be used against any tax due under this
38 chapter, and may be carried over until used, except as provided in

1 subsection (9) of this section. No refunds may be granted for credits
2 under this section.

3 (5) If an employer discharges a qualified employee for whom the
4 employer has claimed a credit under this section, the employer may
5 not claim a new credit under this section for a period of one year
6 from the date the qualified employee was discharged. However, this
7 subsection (5) does not apply if the qualified employee was
8 discharged for misconduct, as defined in RCW 50.04.294, connected
9 with his or her work or discharged due to a felony or gross
10 misdemeanor conviction, and the employer contemporaneously documents
11 the reason for discharge.

12 (6) Credits earned under this section may be claimed only on
13 returns filed electronically with the department using the
14 department's online tax filing service or other method of electronic
15 reporting as the department may authorize. No application is required
16 to claim the credit, but the taxpayer must keep records necessary for
17 the department to determine eligibility under this section including
18 records establishing the person's status as a veteran and status as
19 unemployed when hired by the taxpayer.

20 (7) No person may claim a credit against taxes due under both
21 chapter 82.04 RCW and this chapter for the same qualified employee.

22 (8) The definitions in this subsection apply throughout this
23 section unless the context clearly requires otherwise.

24 (a)(i) "Qualified employee" means ~~((an unemployed))~~ a veteran,
25 spouse of a veteran, or spouse of an active duty military member who
26 is employed in a permanent full-time position for at least two
27 consecutive full calendar quarters. For seasonal employers,
28 "qualified employee" also includes the equivalent of a full-time
29 employee in work hours for two consecutive full calendar quarters.

30 (ii) For purposes of this subsection (8)(a), "full time" means a
31 normal workweek of at least thirty-five hours.

32 ~~((("Unemployed" means that the veteran was unemployed as
33 defined in RCW 50.04.310 for at least thirty days immediately
34 preceding the date that the veteran was hired by the person claiming
35 credit under this section for hiring the veteran.~~

36 ~~(e))~~ "Veteran" means every person who has received an honorable
37 discharge or received a general discharge under honorable conditions
38 or is currently serving honorably, and who has served as a member in
39 any branch of the armed forces of the United States, including the
40 national guard and armed forces reserves.

1 (9) Credits allowed under this section can be earned for tax
2 reporting periods through June 30, (~~(2022)~~) 2032. No credits can be
3 claimed after June 30, (~~(2023)~~) 2033.

4 (10) This section expires July 1, (~~(2023)~~) 2033.

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