
SUBSTITUTE SENATE BILL 5042

State of Washington 64th Legislature 2015 Regular Session

By Senate Ways & Means (originally sponsored by Senators O'Ban, Benton, Conway, Dammeier, Sheldon, and Warnick)

READ FIRST TIME 04/02/15.

1 AN ACT Relating to providing a business and occupation tax credit
2 for businesses that hire veterans; adding a new section to chapter
3 82.04 RCW; adding a new section to chapter 82.16 RCW; creating a new
4 section; providing an effective date; and providing expiration dates.

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

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

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

15 (2) It is the legislature's specific public policy objective to
16 provide employment for unemployed veterans. It is the legislature's
17 intent to provide employers a credit against the business and
18 occupation tax or public utility tax for hiring unemployed veterans
19 which would reduce an employer's tax burden thereby inducing
20 employers to hire and create jobs for unemployed veterans. Pursuant
21 to chapter 43.136 RCW, the joint legislative audit and review

1 committee must review the business and occupation tax and public
2 utility tax credit established under sections 2 and 3 of this act by
3 December 31, 2022.

4 (3) If a review finds that the number of unemployed veterans
5 decreased by thirty percent, then the legislature intends for the
6 legislative auditor to recommend extending the expiration date of the
7 tax preference.

8 (4) In order to obtain the data necessary to perform the review
9 in subsection (3) of this section, the joint legislative audit and
10 review committee should refer to the veteran unemployment rates
11 available from the employment security department and the bureau of
12 labor statistics.

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

15 (1) A person is allowed a credit against the tax due under this
16 chapter as provided in this section. The credit equals twenty percent
17 of wages and benefits paid to or on behalf of a qualified employee up
18 to a maximum of one thousand five hundred dollars for each qualified
19 employee hired on or after October 1, 2016.

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

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

1 if the amount due is paid by the due date specified in the notice, or
2 any extension thereof.

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

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

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

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

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

28 (a)(i) "Qualified employee" means an unemployed veteran who is
29 employed in a permanent full-time position for at least two
30 consecutive full calendar quarters. For seasonal employers,
31 "qualified employee" also includes the equivalent of a full-time
32 employee in work hours for two consecutive full calendar quarters.

33 (ii) For purposes of this subsection (8)(a), "full time" means a
34 normal work week of at least thirty-five hours.

35 (b) "Unemployed" means that the veteran was unemployed as defined
36 in RCW 50.04.310 for at least thirty days immediately preceding the
37 date that the veteran was hired by the person claiming credit under
38 this section for hiring the veteran.

39 (c) "Veteran" means every person who has received an honorable
40 discharge or received a general discharge under honorable conditions

1 or is currently serving honorably, and who has served as a member in
2 any branch of the armed forces of the United States, including the
3 national guard and armed forces reserves.

4 (9) Credits allowed under this section can be earned for tax
5 reporting periods through June 30, 2022. No credits can be claimed
6 after June 30, 2023.

7 (10) This section expires July 1, 2023.

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

10 (1) A person is allowed a credit against the tax due under this
11 chapter as provided in this section. The credit equals twenty percent
12 of wages and benefits paid to or on behalf of a qualified employee up
13 to a maximum of one thousand five hundred dollars for each qualified
14 employee hired on or after October 1, 2016.

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 section 2 of this act during each fiscal year. The
21 department may not allow any credits that would cause the total
22 credits allowed under this section and section 2 of this act to
23 exceed one million dollars in any fiscal year. If all or part of a
24 claim for credit is disallowed under this subsection, the disallowed
25 portion is carried over to the next fiscal year. However, the
26 carryover into the next fiscal year is only permitted to the extent
27 that the cap for the next fiscal year is not exceeded. Priority must
28 be given to credits carried over from a previous fiscal year. The
29 department must provide written notice to any person who has claimed
30 tax credits in excess of the limitation in this subsection. The
31 notice must indicate the amount of tax due and provide that the tax
32 be paid within thirty days from the date of the notice. The
33 department may not assess penalties and interest as provided in
34 chapter 82.32 RCW on the amount due in the initial notice if the
35 amount due is paid by the due date specified in the notice, or any
36 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 veteran who is
25 employed in a permanent full-time position for at least two
26 consecutive full calendar quarters. For seasonal employers,
27 "qualified employee" also includes the equivalent of a full-time
28 employee in work hours for two consecutive full calendar quarters.

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

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

35 (c) "Veteran" means every person who has received an honorable
36 discharge or received a general discharge under honorable conditions
37 or is currently serving honorably, and who has served as a member in
38 any branch of the armed forces of the United States, including the
39 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. No credits can be claimed
3 after June 30, 2023.

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

5 NEW SECTION. **Sec. 4.** This act takes effect October 1, 2016.

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