

5042 PSSB  
Blue paper

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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