SENATE BILL REPORT
SB 5515

As of January 13, 2022

Title: An act relating to encouraging economic growth by providing a state business tax credit for new employment positions in the hospitality industry.

Brief Description: Encouraging economic growth by providing a state business tax credit for new employment positions in the hospitality industry.

Sponsors: Senators Dozier, Holy and Padden.

Brief History:
Committee Activity: Business, Financial Services & Trade: 1/18/22.

Brief Summary of Bill

- Creates a $275 business and occupation tax credit for full-time employees hired into the hospitality industry with annual wages exceeding the average wage for the county.
- Makes the credit only eligible in areas where the unemployment rate is at least 25 percent greater than the statewide unemployment rate.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: Clinton McCarthy (786-7319)

Background: Business and Occupation Tax. Washington State's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without deduction for the costs of doing business. The B&O tax rate varies by classification of business.

Business and Occupation Tax Credits. A B&O tax credit is allowed against the amount of tax otherwise due to the Department of Revenue (DOR). The state provides a number of

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tax credits for B&O tax. The following are a few of the major B&O tax credits offered:

- rural county B&O credit for new employees;
- high technology B&O tax credit;
- small business B&O tax credit;
- multiple activities tax credit; and
- credit for hiring unemployed veterans.

Summary of Bill: A $275 B&O tax credit is created for full-time employees hired into the hospitality industry with annual wages exceeding the average wage for the county. The credit is earned for the calendar year an employer fills a position, plus four subsequent consecutive years if the position is maintained during that period of time. New positions eligible for the credit can be created only if a position vacated by an existing employee is filled by a new hire. When a position is newly created, if it is filled before July 31st, this position is eligible for the full yearly credit. If it is filled after June 30th, this position is eligible for half of the credit.

The hospitality industry is defined to include:

- accommodation services;
- food services;
- amusement and recreation services; or
- any combination of these services.

The credit may be accrued and carried over. No application is necessary for the credit, but the person must be able to verify eligibility with DOR for the credit. The credit is only eligible in areas where the unemployment rate is at least 25 percent greater than the statewide unemployment rate.

The Employment Security Department is directed to provide DOR any information needed by DOR to verify eligibility for the credit.

Appropriation: None.

Fiscal Note: Requested on January 10, 2022.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on July 1, 2022.