



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

JULY 12, 2007

## Rural County B&O Tax Credit for New Employees in Manufacturing - Modifications

Substitute House Bill 1566 (Chapter 485, Laws of 2007) modifies the business and occupation (B&O) tax credit for hiring new employees available to businesses conducting manufacturing or research and development activities in rural counties or community empowerment zones. The amendments change the manner in which the number of new employees is calculated, what constitutes a “qualified employment position,” and when an application for the program can be received, removing several unintended impediments to the program.

**Effective January 1, 2008.** (See chapter 82.62 RCW.)

### The B&O tax credit equals:

- \$2,000 for each qualified employment position with annual wages/benefits less than or equal to \$40,000; or
- \$4,000 for each qualified employment position with annual wages/benefits greater than \$40,000.

### State-wide cap

The state-wide total of all credits taken under this program is \$7.5 million per fiscal year. If all or part of an application for credit is disallowed because the state-wide cap has been met, the disallowed portion may be carried over to the next fiscal year. However, the carryover into the next fiscal year is only permitted to the extent that the cap for the next fiscal year is not exceeded.

### Current reporting/documentation requirements:

- A business' number of average full-time qualified employment positions must be at least 15 % greater in the calendar year for which the credit is sought than the number of positions at the same facility in the immediately preceding calendar year.
- The *Rural Area Application for B&O Tax Credit on New Employees* must be filed with the Department of Revenue before filling new positions.
- A business claiming the credit is required to submit a report to the Department of Revenue by January 31 following the year the application for credit was allowed.

### Changes effective January 1, 2008:

- The time period for determining a firm's increase in qualified employment positions changes from a calendar year basis to a four consecutive calendar quarters basis;
- Amends the definition of “qualified employment position” to allow for positions that are seasonal or temporarily vacant:
  - o For seasonal employers, “qualified employment position” includes the equivalent of a full-time employee in work hours (at least 35 hours/wk) for four consecutive full calendar quarters.
  - o Once a permanent, full-time employee has been employed, a position does not cease to be a qualified employment position solely due to the position becoming vacant, as long as:
    - ◆ The cumulative period of any vacancies in that position is not more than 120 days in the four consecutive full calendar quarter periods; and
    - ◆ During a vacancy, the employer is training or actively recruiting a replacement permanent, full-time employee for the position.

P.O. BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 1-800-647-7706 | [HTTP://DOR.WA.GOV](http://DOR.WA.GOV)

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users please call 1-800-451-7985.

- Allows the Department to accept applications for up to 90 days after the hiring of the qualified employment position;
- Corrects a statutory reference from RCW 43.63A.700 to RCW 43.31C.020; and
- Changes the due date for the report from January 31 following the year the application for credit was allowed to the last day of the month immediately following the end of the four consecutive full calendar quarter period for which a credit is earned.

For more information, see our brochure *Rural County B&O Tax Credit for New Employees*, available online at: <http://dor.wa.gov> under "Get a form or publication" or by calling our Telephone Information Center at 1-800-647-7706.

The Department is in the process of updating this brochure to reflect the changes effective January 1, 2008.