

LM

By Representative Gregerson

HB 2047 - H COMM AMD

By Committee on Appropriations

1 On page 1, after line 13, insert the following:

2

3 "Sec. 2. RCW 82.04.4488 and 2023 c 392 s 5 are each amended to
4 read as follows:

5 (1) Beginning July 1, 2024, in computing the tax imposed under
6 this chapter, a credit is allowed for costs related to converting a
7 qualifying business to a worker-owned cooperative, employee
8 ownership trust, or an employee stock ownership plan, as provided in
9 this section.

10 (2) The credit is equal to:

11 (a) Up to 50 percent of the conversion costs, not to exceed
12 \$25,000, incurred by a qualified business for converting the
13 qualified business to a worker-owned cooperative or an employee
14 ownership trust; or

15 (b) Up to 50 percent of the conversion costs, not to exceed
16 \$100,000, incurred by a qualified business for converting the
17 qualified business to an employee stock ownership plan.

18 (3)(a) Credit under this section is earned, and claimed against
19 taxes due under this chapter, for the tax reporting period in which
20 the conversion to a worker-owned cooperative, employee ownership
21 trust, or an employee stock ownership plan is complete, or
22 subsequent tax reporting periods as provided in (c) of this
23 subsection.

24 (b) The credit must not exceed the tax otherwise due under this
25 chapter for the tax reporting period.

26 (c) Unused credit may be carried over and used in subsequent tax
27 reporting periods, except that no credit may be claimed more than 12

1 months from the end of the tax reporting period in which the credit
2 was earned.

3 (d) No refunds may be granted for credits under this section.

4 (4)(a) The total amount of credits authorized under this section
5 may not exceed an annual statewide limit of \$2,000,000.

6 (b) Credits must be authorized on a first-in-time basis.

7 (c) No credit may be earned, during any calendar year, on or
8 after the last day of the calendar month immediately following the
9 month the department has determined that \$2,000,000 in credit has
10 been earned.

11 (5)(a) The department may require persons claiming a credit
12 under this section to provide appropriate documentation, in a manner
13 as determined by the department, for the purposes of determining
14 eligibility under this section.

15 (b) Every person claiming a credit under this section must
16 preserve, for a period of five years, any documentation to
17 substantiate the amount of credit claimed.

18 (6) For the purposes of this section:

19 (a) "Conversion costs" means professional services, including
20 accounting, legal, and business advisory services, as detailed in
21 the guidelines issued by the department, for: (i) A feasibility
22 study or other preliminary assessments regarding a transition of a
23 business to an employee stock ownership plan, a worker-owned
24 cooperative, or an employee ownership trust; or (ii) the transition
25 of a business to an employee stock ownership plan, a worker-owned
26 cooperative, or an employee ownership trust.

27 (b) "Employee ownership trust" means an indirect form of
28 employee ownership in which a trust holds a controlling stake in a
29 qualified business and benefits all employees on an equal basis.

30 (c) "Employee stock ownership plan" has the same meaning as set
31 forth in 26 U.S.C. Sec. 4975(e)(7), as of July 1, 2024.

32 (d) "Qualified business" means a person subject to tax under
33 this chapter, including but not limited to a C corporation, S
34 corporation, limited liability company, partnership, limited

1 liability partnership, sole proprietorship, or other similar pass-
2 through entity, that is not owned in whole or in part by an employee
3 ownership trust, that does not have an employee stock ownership
4 plan, or that is not, in whole or in part, a worker-owned
5 cooperative, and that is approved by the department for the tax
6 credit in this section.

7 (e) "Worker-owned cooperative" has the same meaning as set forth
8 in 26 U.S.C. Sec. 1042(c)(2), as of July 1, 2024, or such subsequent
9 dates as may be provided by rule by the department, consistent with
10 the purposes of this section.

11 (7) Credits allowed under this section can be earned for tax
12 reporting periods starting on or before June 30, (~~2029~~) 2025. No
13 credits can be claimed on returns filed for tax periods starting on
14 or after July 1, (~~2030~~) 2026.

15 (8) This section expires July 1, (~~2030~~) 2026."

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17 Renumber all remaining sections consecutively and correct any
18 internal references accordingly.

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20 Correct the title.

EFFECT: Changes the tax reporting periods in which the business and occupation tax credit for costs related to converting a qualifying business to a worker-owned cooperative, employee ownership trust, or an employee stock ownership plan can be earned and claimed such that: (1) Credits can be earned for tax reporting periods starting on or before June 30, 2025, rather than June 30, 2029; and (2) Credits cannot be claimed on returns filed for tax periods starting on or after July 1, 2026, rather than July 1, 2030.

Changes the expiration date for the tax credit from July 1, 2030, to July 1, 2026.

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