

SENATE BILL REPORT

SB 5448

AS REPORTED BY COMMITTEE ON TRADE, TECHNOLOGY  
& ECONOMIC DEVELOPMENT, FEBRUARY 1, 1994

**Brief Description:** Exempting federal small business innovation research program distributions from business and occupation tax.

**SPONSORS:** Senators Sheldon, Bluechel, Erwin, Williams, M. Rasmussen and Hochstatter

**SENATE COMMITTEE ON TRADE, TECHNOLOGY & ECONOMIC DEVELOPMENT**

**Majority Report:** Do pass.

Signed by Senators Skratek, Chairman; Sheldon, Vice Chairman; Bluechel, Cantu, Erwin, M. Rasmussen and Williams.

**Staff:** Jeff Baird (786-7444)

**Hearing Dates:** February 9, 1993; February 25, 1993; January 26, 1994; February 1, 1994

**SENATE COMMITTEE ON WAYS & MEANS**

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** February 7, 1994

**BACKGROUND:**

The Department of Revenue assesses a business and occupation tax upon the funding received from federal government agencies under the federal Small Business Innovative Research (SBIR) program. Under this program federal agencies allocate part of their research and development budgets to support research and development by small businesses in the private sector. This funding is often the only outside funding obtainable for a small business inventor. Washington is the only state to tax SBIR funding.

**SUMMARY:**

Federal Small Business Innovative Research Program grants are exempt from the business and occupation tax assessment.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR:**

Washington is the only state that taxes SBIR grants. This tax reduces the availability of funds for conducting research. SBIR winners affected by the B&O tax may file suit later to get these funds returned to them.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Mike Anderson, attorney; Gary Smith, Independent Business Association; Clyde Barlow, Barlow Scientific; Phil Spesor, Foresight Science