

**FINAL BILL REPORT**

**2SSB 6347**

**C 5 L 94 E1**

**SYNOPSIS AS ENACTED**

**Brief Description:** Providing tax credits and deferrals for high-technology businesses.

**SPONSORS:** Senate Committee on Ways & Means (originally sponsored by Senators Skratek, Sellar, Gaspard, Owen, Bluechel, Pelz, Winsley, McAuliffe, Quigley, Ludwig, A. Smith, Deccio, Moyer and M. Rasmussen; by request of Governor Lowry)

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

**SENATE COMMITTEE ON WAYS & MEANS**

**HOUSE COMMITTEE ON REVENUE**

**BACKGROUND:**

The state of Washington has two sales and use tax deferral programs and one business and occupation tax credit program.

The distressed area tax deferral program was enacted in 1985 and defers sales and use taxes on construction costs and the acquisition of machinery and equipment in distressed areas. The deferrals extend from the beginning of a project until three years after its completion. Businesses engaging in manufacturing or research and development activities in distressed areas are eligible for a B&O tax credit for each year in which they have a 15 percent growth in employees.

The statewide tax deferral program for manufacturing and research and development projects also extends the sales and use tax deferrals until three years after a project's completion. Only new projects are eligible for the statewide deferral program.

**SUMMARY:**

Firms that are engaged in biotechnology, advanced computing, electronic device technology, advanced material, and environmental technology pursuits may be eligible for a B&O tax credit and a sales and use tax deferral. Such high-tech firms investing at least 92/100 of 1 percent of their gross income in research and development are eligible for a tax credit equal to 2 1/2 percent of their investment in research and development. Credits for eligible nonprofits would equal 515/1000 of 1 percent. A person entitled to a tax credit may assign all or a part of it to contractors performing the research and development.

High-tech firms initiating new operations, or expanding, renovating or equipping existing facilities, for research and development or pilot manufacturing purposes are eligible for deferral of sales and use taxes due for up to three years after project completion. Biotechnology companies may defer taxes for up to five years after project completion.

The department is to perform assessments on the tax credit and deferral programs and report to the Governor and the Legislature.

The B&O tax credits and the sales and use tax deferrals for high-tech firms end in 2004.

Exploration of new uses of existing drugs qualifies as research and development.

**VOTES ON FINAL PASSAGE:**

|        |    |    |                 |
|--------|----|----|-----------------|
| Senate | 38 | 10 |                 |
| House  | 83 | 5  | (House amended) |

First Special Session

|        |    |    |
|--------|----|----|
| Senate | 34 | 11 |
| House  | 78 | 15 |

**EFFECTIVE:** January 1, 1995