

2 **SB 7902** - S AMD - 021
3 By Senator West

4 ADOPTED 2/17/97

5 On page 4, after line 10, insert the following:

6 "Sec. 4. RCW 82.04.4452 and 1994 sp.s. c 5 s 2 are each amended to
7 read as follows:

8 (1) In computing the tax imposed under this chapter, a credit is
9 allowed for each person whose research and development spending during
10 the year in which the credit is claimed exceeds 0.92 percent of the
11 person's taxable amount during the same calendar year.

12 (2) The credit is equal to the greater of the amount of qualified
13 research and development expenditures of a person or eighty percent of
14 amounts received by a person other than a public educational or
15 research institution in compensation for the conduct of qualified
16 research and development, multiplied by the rate (~~of 0.515 percent~~)
17 provided in RCW 82.04.260(6) in the case of a nonprofit corporation or
18 nonprofit association engaging within this state in research and
19 development, and (~~2.5 percent~~) the rate provided in RCW 82.04.290(2)
20 for every other person.

21 (3) Any person entitled to the credit provided in subsection (2) of
22 this section as a result of qualified research and development
23 conducted under contract may assign all or any portion of the credit to
24 the person contracting for the performance of the qualified research
25 and development.

26 (4) The credit, including any credit assigned to a person under
27 subsection (3) of this section, shall be taken against taxes due for
28 the same calendar year in which the qualified research and development
29 expenditures are incurred. The credit, including any credit assigned
30 to a person under subsection (3) of this section, for each calendar
31 year shall not exceed the lesser of two million dollars or the amount
32 of tax otherwise due under this chapter for the calendar year.

33 (5) Any person taking the credit, including any credit assigned to
34 a person under subsection (3) of this section, whose research and
35 development spending during the calendar year in which the credit is
36 claimed fails to exceed 0.92 percent of the person's taxable amount

1 during the same calendar year shall be liable for payment of the
2 additional taxes represented by the amount of credit taken together
3 with interest, but not penalties. Interest shall be due at the rate
4 provided for delinquent excise taxes retroactively to the date the
5 credit was taken until the taxes are paid. Any credit assigned to a
6 person under subsection (3) of this section that is disallowed as a
7 result of this section may be taken by the person who performed the
8 qualified research and development subject to the limitations set forth
9 in subsection (4) of this section.

10 (6) Any person claiming the credit, and any person assigning a
11 credit as provided in subsection (3) of this section, shall file an
12 affidavit form prescribed by the department which shall include the
13 amount of the credit claimed, an estimate of the anticipated qualified
14 research and development expenditures during the calendar year for
15 which the credit is claimed, an estimate of the taxable amount during
16 the calendar year for which the credit is claimed, and such additional
17 information as the department may prescribe.

18 (7) A person claiming the credit shall agree to supply the
19 department with information necessary to measure the results of the tax
20 credit program for qualified research and development expenditures.

21 (8) The department shall use the information required under
22 subsection (7) of this section to perform three assessments on the tax
23 credit program authorized under this section. The assessments will
24 take place in 1997, 2000, and 2003. The department shall prepare
25 reports on each assessment and deliver their reports by September 1,
26 1997, September 1, 2000, and September 1, 2003. The assessments shall
27 measure the effect of the program on job creation, the number of jobs
28 created for Washington residents, company growth, the introduction of
29 new products, the diversification of the state's economy, growth in
30 research and development investment, the movement of firms or the
31 consolidation of firms' operations into the state, and such other
32 factors as the department selects.

33 (9) For the purpose of this section:

34 (a) "Qualified research and development expenditures" means
35 operating expenses, including wages, compensation of a proprietor or a
36 partner in a partnership as determined under rules adopted by the
37 department, benefits, supplies, and computer expenses, directly
38 incurred in qualified research and development by a person claiming the
39 credit provided in this section. The term does not include amounts

1 paid to a person other than a public educational or research
2 institution to conduct qualified research and development. Nor does
3 the term include capital costs and overhead, such as expenses for land,
4 structures, or depreciable property.

5 (b) "Qualified research and development" shall have the same
6 meaning as in RCW 82.63.010.

7 (c) "Research and development spending" means qualified research
8 and development expenditures plus eighty percent of amounts paid to a
9 person other than a public educational or research institution to
10 conduct qualified research and development.

11 (d) "Taxable amount" means the taxable amount subject to the tax
12 imposed in this chapter required to be reported on the person's
13 combined excise tax returns during the year in which the credit is
14 claimed, less any taxable amount for which a credit is allowed under
15 RCW 82.04.440.

16 (10) This section shall expire December 31, 2004."

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

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22 On page 1, on line 2 of the title, strike "and 82.04.293" and
23 insert "82.04.293, and 82.04.4452"

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EFFECT: Ties the B&O tax credit for high technology research and development to the new lower tax rate rather than the 1993 tax rate.