

February 6, 1997

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development

FROM: Kenny Pittman, Research Analyst (786-7392)

RE: **HB 1283 - Providing funding for business and economic development programs.**

BACKGROUND:

Washington's major business tax is the Business and Occupation (B&O) tax. The tax is imposed on the gross receipts of business activities conducted within the state. There are 10 different rates that apply to various classifications of business activities. Businesses are taxable according to the activities they engage in and therefore may be subject to more than one tax rate. The state allows tax credits for activities that include tax credits for new job creation in distressed areas, employer-provided job skills enhancement training, and certain research and development activities.

The University of Washington's Business and Economic Development program (program) focuses the resources of the University's School of Business to increase economic opportunities in distressed areas. The services available through the program include: (1) technical assistance to business owners and association; (2) research and analysis of economic development strategies; and (3) increased opportunities to increase business practices. In addition, the program provides an opportunity for students to acquire hands-on learning opportunities in an operating business.

SUMMARY:

A business and occupation (B&O) tax credit is provided to businesses making a contribution to an institution of higher education. The contribution must be for the purpose of

increasing business and economic development opportunities in distressed areas.

The B&O tax credit is limited to 50 percent of the value of the approved contribution. A business may claim up to \$50,000 in tax credits per calendar year. The total tax credits available on a state wide basis cannot exceed \$100,000 per calendar year.

The business must request approval of the proposed contribution from the institution of higher education and the Department of Revenue. The request must include a description of the proposed contribution and its estimated value. A contribution is defined as either cash or other in-kind contributions or both.

Appropriation: \$50,000 in General Fund - State in fiscal year 1998, and \$50,000 in General Fund - State in fiscal year 1999 to the University of Washington School of Business.

Fiscal Note: Requested January 28, 1997.

Effective Date: Ninety days after adjournment of session in which bill is passed.