

COMMITTEE ON HIGHER EDUCATION
Representative Don Carlson, Chair

BILL ANALYSIS
HB 1540

BRIEF DESCRIPTION: Allowing tax credits for contributions to public institutions of higher education.

BACKGROUND: The Washington Roundtable recommended that the state's higher education institutions develop a coordinated strategy to collaborate with the high-tech sector. In 1994, Washington enacted tax incentives to attract in-state location of high technology companies that conduct applied and commercial research and development.

SUMMARY: Companies who contribute to eligible institutions of higher education will receive credit against their business and occupation or public utility tax liability. Contribution means a gift of cash or tangible personal property that qualifies as a charitable contribution under federal law and that is used by the higher education institutions for the purposes of promoting study or research in specific fields. Promoting study or research includes, but is not limited to, funding basic research, endowing a faculty chair, funding recruitment and retention, and establishing scholarships.

Companies must file an application and receive Department of Revenue approval before making the contribution. The institution must certify that the contribution qualifies as a contribution under federal law. Applications are approved on a first-come first-served basis. Credits must be pre-approved by the Department of Revenue to ensure that the \$60 million biennial cap is not exceeded. Within 90 days of approval, the company seeking credit must file an affidavit certifying the contribution. Failure to file the affidavit results in loss of credit.

For the first year, the credit will be the amount by which the 1997 contributions exceed the 1996 contributions. In the second year and thereafter, two rules apply. If the year's contribution is the same or less than last year's, credit is given for 60 percent of this year's contribution. If this year's contribution is greater than last year's, credit is equal to 60 percent of last year's contribution plus the difference.

The Department of Revenue and the Higher Education Coordinating Board will report to the Legislature by September 1, 2005.