

HOUSE BILL REPORT

HB 2628

As Reported by House Committee On:
Trade & Economic Development

Title: An act relating to small business technology transfer awards.

Brief Description: Exempting small business technology awards from business and occupation tax.

Sponsors: Representatives Chase, Edwards, Murray, Hunt, Lovick, Kenney, Schmidt, Veloria, Haigh and Conway.

Brief History:

Committee Activity:

Trade & Economic Development: 2/5/02 [DPS].

Brief Summary of Substitute Bill

- Provides an exemption from the state's Business and Occupation (B&O) tax on amounts received by a small business under the federal Small Business Technology Transfer Research (STTR) program.
- Delays the effective date of the B&O tax exemption from July 1, 2002 to January 1, 2003.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Veloria, Chair; Eickmeyer, Vice Chair; Ahern, Chase, Dunn, Fromhold, Gombosky and Mulliken.

Staff: Kenny Pittman (786-7392).

Background:

Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business.

The federal Small Business Technology Transfer Research (STTR) program was established by the Small Business Technology Transfer Act of 1992 (Public Law 102-564, Title II). The objective of the STTR program is to encourage technology transfer through cooperative research between small business concerns and research institutions.

Currently, the STTR program provides up to \$600,000 in early stage research and development (R&D) funding to small businesses that are working cooperatively with researchers at universities and other research institutions. Amounts received by a small business under the STTR Program are subject to taxation under the state's B&O tax laws.

Summary of Substitute Bill:

The state's B&O tax does not apply to amounts received by a small business under the STTR Program.

Substitute Bill Compared to Original Bill:

The substitute bill makes minor technical corrections and delays the effective date from July 1, 2002 to January 1, 2003.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect January 1, 2003.

Testimony For: This is a bill that makes sense and is good for the state's small businesses. A business should not have to pay a tax on a federal grant that it receives to conduct research and development.

Testimony Against: None.

Testified: Representative Chase, prime sponsor; and Mark Johnson, National Federation of Independent Business.