

1 **SB 5725** - H AMD TO H AMD (H3039.5)552 SCOPE & OBJECT 4/27/03  
2 By Representative Anderson

3 On page 10 of the amendment, after line 33, insert:

4 "**Sec. 12.** RCW 82.04.4452 and 2000 c 103 s 7 are each amended  
5 to read as follows:

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

10 (2) The credit is equal to the greater of the amount of  
11 qualified research and development expenditures of a person or  
12 eighty percent of amounts received by a person other than a public  
13 educational or research institution in compensation for the conduct  
14 of qualified research and development, multiplied by the rate  
15 provided in RCW 82.04.260(3) in the case of a nonprofit corporation  
16 or nonprofit association engaging within this state in research and  
17 development, and the rate provided in RCW 82.04.290(2) for every  
18 other person.

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

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

32 (5) Any person taking the credit, including any credit assigned  
33 to a person under subsection (3) of this section, whose research

1 and development spending during the calendar year in which the  
2 credit is claimed fails to exceed 0.92 percent of the person's  
3 taxable amount during the same calendar year shall be liable for  
4 payment of the additional taxes represented by the amount of credit  
5 taken together with interest, but not penalties. Interest shall be  
6 due at the rate provided for delinquent excise taxes retroactively  
7 to the date the credit was taken until the taxes are paid. Any  
8 credit assigned to a person under subsection (3) of this section  
9 that is disallowed as a result of this section may be taken by the  
10 person who performed the qualified research and development subject  
11 to the limitations set forth in subsection (4) of this section.

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

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

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

37 (9) For the purpose of this section:

38 (a) "Qualified research and development expenditures" means  
39 operating expenses, including wages, compensation of a proprietor

1 or a partner in a partnership as determined under rules adopted by  
2 the department, benefits, supplies, and computer expenses, directly  
3 incurred in qualified research and development by a person claiming  
4 the credit provided in this section. The term does not include  
5 amounts paid to a person other than a public educational or  
6 research institution to conduct qualified research and development.  
7 Nor does the term include capital costs and overhead, such as  
8 expenses for land, structures, or depreciable property.

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

11 (c) "Research and development spending" means qualified  
12 research and development expenditures plus eighty percent of  
13 amounts paid to a person other than a public educational or  
14 research institution to conduct qualified research and development.

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

20 (~~((10) This section expires December 31, 2004.))~~)

21 **Sec. 13.** RCW 82.63.030 and 1994 sp.s. c 5 s 5 are each amended  
22 to read as follows:

23 (1) Except as provided in subsection (2) of this section, the  
24 department shall issue a sales and use tax deferral certificate for  
25 state and local sales and use taxes due under chapters 82.08,  
26 82.12, and 82.14 RCW on each eligible investment project.

27 (2) No certificate may be issued for an investment project that  
28 has already received a deferral under chapter 82.60 or 82.61 RCW or  
29 this chapter, except that an investment project for qualified  
30 research and development that has already received a deferral may  
31 also receive an additional deferral certificate for adapting the  
32 investment project for use in pilot scale manufacturing.

33 (~~((3) This section shall expire July 1, 2004.))~~)

34 Renumber the remaining sections consecutively, correct internal  
35 references accordingly, and correct the title.

1           On page 10 of the amendment, line 34, after "(1)(a)" strike  
2 "This" and insert "Sections 1 through 11 of this"

**EFFECT:** Removes expiration dates for research and development  
tax credits and deferral.