
Finance Committee

HB 2502

Brief Description: Providing a rural county information technology tax credit.

Sponsors: Representatives Eickmeyer, Haigh and Hatfield.

Brief Summary of Bill

- A credit against tax liability under the business and occupation (B&O) tax is available to businesses that provide information technology help desk services from rural counties.

Hearing Date: 1/27/04

Staff: Mark Matteson (786-7145).

Background:

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the state General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. The tax rate for most types of businesses that provide services is 1.5 percent.

The B&O tax does not permit deductions for the costs of doing business, such as payments for raw materials and wages of employees. Nonetheless, there are many exemptions for specific types of business activities and certain deductions and credits permitted under the B&O tax statutes.

In 1999, the Legislature enacted an omnibus tax relief package for rural counties. Part of the legislation allowed a credit against B&O tax liability for businesses that provide information technology help desk services by telephone or electronically from rural counties, defined to be counties that have population densities of 100 persons per square mile or less. The amount of the credit was equal to the amount of B&O tax due from activities performed at the rural county location. Information technology help desk services were defined to include certain activities related to computer hardware and software, including maintenance, diagnostics and troubleshooting, installation, repair information and training, and upgrades.

No application was necessary to receive the credit, but a business was required to keep records to allow the Department of Revenue to verify eligibility. A business that was found by the Department to be ineligible was required to repay the amount of the credit with interest, but not penalties. A business taking the credit was required to submit an annual report to the Department

with information about the business activity, employment data, and how long the business has been located in the county.

The law expired at the end of calendar year 2003.

Summary of Bill:

A credit against the B&O tax is provided to businesses that provide information technology help desk services by telephone or electronically from rural counties under the same terms as was provided to such businesses under the omnibus rural county tax relief bill enacted in 1999.

To qualify, information technology help desk services must be provided from a rural county, defined as a county with 100 or fewer persons per square mile. These services are defined to include services provided by telephone or electronically for the following functions related to software and hardware: maintenance, diagnostics and troubleshooting, installation, repair, information and training, and upgrade.

The credit is equal to the full amount of tax due attributable to providing the services from a rural county. No application is necessary to be eligible for the credit, but the business must keep adequate records for the Department of Revenue to verify eligibility. If the Department finds that a business that has claimed credit is ineligible, the business must repay the amount of the credit with interest, but not penalties. Credits may not be carried over from year to year.

A business taking the credit must submit an annual report to the Department. The report is to contain various information, including the type of business activity, number of employees in the rural county, and how long the business has been located in the county.

The credit expires January 1, 2008.

Appropriation: None.

Fiscal Note: Requested on January 24, 2004.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.