

# SENATE BILL REPORT

## SB 5639

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As of February 2, 2005

**Title:** An act relating to the high technology business and occupation tax credit.

**Brief Description:** Modifying the high technology business and occupation tax credit.

**Sponsors:** Senators Eide, Shin, Rasmussen and McAuliffe.

**Brief History:**

**Committee Activity:** International Trade & Economic Development: 2/3/05.

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### SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

**Staff:** Jack Brummel (786-7428)

**Background:** The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business.

In 1994 the Legislature enacted a B&O tax credit for research and development (R&D) in the high-technology sector. In 2004 the program was modified and extended through 2014. A person claiming the credit must supply the Department of Revenue with information on research and development spending, product development, jobs, and wages.

**Summary of Bill:** A B&O tax credit is allowed in a year when a person's R&D spending exceeds the person's average R&D spending over the previous three years. The amount of credit allowed is equal to the 3 percent times the spending which exceeds the average spending. A person entitled to a tax credit may assign all or part of it to contractors performing the research and development. A maximum of \$1 million is available each year to an eligible person. A person claiming the credit must supply the Department of Revenue with information on research and development spending, product development, jobs, and wages. The information collected and the amount of tax credit claimed may be disclosed by the Department of Revenue.

**Appropriation:** None.

**Fiscal Note:** Requested on February 1, 2005.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on January 1, 2006.