
**Technology & Economic Development
Committee**

HB 1303

Brief Description: Extending the business and occupation tax credit for research and development.

Sponsors: Representatives Morris, Angel, Orcutt, Haler, Hurst, Liias, Kochmar and McCoy.

Brief Summary of Bill

- Extends the high technology research and development business and occupation tax credit to January 1, 2035.

Hearing Date: 1/29/13

Staff: Jennifer Thornton (786-7147).

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. 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.

There are a number of different rates. The main rates are: 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.8 percent for professional and personal services, and activities not classified elsewhere.

The B&O tax allows a credit for research and development (R&D) spending in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, and environmental technology. The credit is provided to businesses, including qualifying non-profit organizations, that make R&D expenditures in excess of 0.92 percent of taxable income. No

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firm may take more than \$2 million a year in credit. The credit program expires on January 1, 2015.

The Joint Legislative Audit and Review Committee (JLARC) analyzed the high technology research and development business and occupation tax credit as part of its 2012 Tax Preference Performance Reviews. The JLARC's recommendation was to review and clarify the tax preference to determine if progress toward its high technology R&D objectives is sufficient and to consider identifying targets for investment and employment.

Summary of Bill:

The expiration date for the high technology research and development business and occupation tax credit is extended from January 1, 2015, to January 1, 2035.

Appropriation: None.

Fiscal Note: Available.

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