
HOUSE BILL 2685

State of Washington

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2014 Regular Session

By Representatives Pettigrew, Manweller, Springer, Morris, Goodman, Smith, Habib, Wilcox, Clibborn, Tarleton, Magendanz, Zeiger, Gregerson, Young, and Freeman

Read first time 01/27/14. Referred to Committee on Finance.

1 AN ACT Relating to extending tax preferences for high-technology
2 research and development; amending RCW 82.04.4452 and 82.63.030; and
3 providing expiration dates.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 82.04.4452 and 2010 c 114 s 114 are each amended to
6 read as follows:

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

11 (2)(a) The credit is calculated as follows:

12 ((+a)) (i) Determine the greater of the amount of qualified
13 research and development expenditures of a person or eighty percent of
14 amounts received by a person other than a public educational or
15 research institution in compensation for the conduct of qualified
16 research and development;

17 ((+b)) (ii) Subtract 0.92 percent of the person's taxable amount
18 from the amount determined under (a)(i) of this subsection;

1 ~~((e))~~ (iii) Multiply the amount determined under (b) of this
2 subsection by the following:

3 ~~((i))~~ (A) For the period June 10, 2004, through December 31,
4 2006, the person's average tax rate for the calendar year for which the
5 credit is claimed;

6 ~~((ii))~~ (B) For the calendar year ending December 31, 2007, the
7 greater of the person's average tax rate for that calendar year or 0.75
8 percent;

9 ~~((iii))~~ (C) For the calendar year ending December 31, 2008, the
10 greater of the person's average tax rate for that calendar year or 1.0
11 percent;

12 ~~((iv))~~ (D) For the calendar year ending December 31, 2009, the
13 greater of the person's average tax rate for that calendar year or 1.25
14 percent;

15 ~~((v))~~ (E) For the calendar year ending December 31, 2010, and
16 thereafter, 1.50 percent.

17 (b) For purposes of calculating the credit, if a person's reporting
18 period is less than annual, the person may use an estimated average tax
19 rate for the calendar year for which the credit is claimed by using the
20 person's average tax rate for each reporting period. A person who uses
21 an estimated average tax rate must make an adjustment to the total
22 credit claimed for the calendar year using the person's actual average
23 tax rate for the calendar year when the person files its last return
24 for the calendar year for which the credit is claimed.

25 (3) Any person entitled to the credit provided in subsection (2) of
26 this section as a result of qualified research and development
27 conducted under contract may assign all or any portion of the credit to
28 the person contracting for the performance of the qualified research
29 and development.

30 (4) The credit, including any credit assigned to a person under
31 subsection (3) of this section, must be claimed against taxes due for
32 the same calendar year in which the qualified research and development
33 expenditures are incurred. The credit, including any credit assigned
34 to a person under subsection (3) of this section, for each calendar
35 year may not exceed the lesser of two million dollars or the amount of
36 tax otherwise due under this chapter for the calendar year.

37 (5) For any person claiming the credit, including any credit
38 assigned to a person under subsection (3) of this section, whose

1 research and development spending during the calendar year in which the
2 credit is claimed fails to exceed 0.92 percent of the person's taxable
3 amount during the same calendar year or who is otherwise ineligible,
4 the department must declare the taxes against which the credit was
5 claimed to be immediately due and payable. The department must assess
6 interest, but not penalties, on the taxes against which the credit was
7 claimed. Interest must be assessed at the rate provided for delinquent
8 excise taxes under chapter 82.32 RCW, retroactively to the date the
9 credit was claimed, and accrues until the taxes against which the
10 credit was claimed are repaid. Any credit assigned to a person under
11 subsection (3) of this section that is disallowed as a result of this
12 section may be claimed by the person who performed the qualified
13 research and development subject to the limitations set forth in
14 subsection (4) of this section.

15 (6) A person claiming the credit provided in this section must file
16 a complete annual survey with the department under RCW 82.32.585.

17 (7) (~~For the purpose of this section:~~) The definitions in this
18 subsection apply throughout this section unless the context clearly
19 requires otherwise.

20 (a) "Average tax rate" means a person's total tax liability under
21 this chapter for the calendar year for which the credit is claimed
22 divided by the taxpayer's total taxable amount under this chapter for
23 the calendar year for which the credit is claimed.

24 (b) "Qualified research and development expenditures" means
25 operating expenses, including wages, compensation of a proprietor or a
26 partner in a partnership as determined under rules adopted by the
27 department, benefits, supplies, and computer expenses, directly
28 incurred in qualified research and development by a person claiming the
29 credit provided in this section. The term does not include amounts
30 paid to a person other than a public educational or research
31 institution to conduct qualified research and development. Nor does
32 the term include capital costs and overhead, such as expenses for land,
33 structures, or depreciable property.

34 (c) "Qualified research and development" (~~shall have~~) has the
35 same meaning as provided in RCW 82.63.010.

36 (d) "Research and development spending" means qualified research
37 and development expenditures plus eighty percent of amounts paid to a

1 person other than a public educational or research institution to
2 conduct qualified research and development.

3 (e) "Taxable amount" means the taxable amount subject to the tax
4 imposed in this chapter required to be reported on the person's
5 combined excise tax returns for the calendar year for which the credit
6 is claimed, less any taxable amount for which a credit is allowed under
7 RCW 82.04.440.

8 (8) This section expires January 1, (~~(2015)~~) 2040.

9 **Sec. 2.** RCW 82.63.030 and 2008 c 15 s 4 are each amended to read
10 as follows:

11 (1) Except as provided in subsection (2) of this section, the
12 department (~~(shall)~~) must issue a sales and use tax deferral
13 certificate for state and local sales and use taxes due under chapters
14 82.08, 82.12, and 82.14 RCW on each eligible investment project.

15 (2) No certificate may be issued for an investment project that has
16 already received a deferral under chapter 82.60 RCW or this chapter,
17 except that an investment project for qualified research and
18 development that has already received a deferral may also receive an
19 additional deferral certificate for adapting the investment project for
20 use in pilot scale manufacturing.

21 (3) This section (~~(shall)~~) expires January 1, (~~(2015)~~) 2040.

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