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**SUBSTITUTE SENATE BILL 5382**

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**State of Washington**

**63rd Legislature**

**2013 Regular Session**

**By** Senate Trade & Economic Development (originally sponsored by Senators Benton, Holmquist Newbry, Rivers, Carrell, Padden, and Shin)

READ FIRST TIME 02/21/13.

1       AN ACT Relating to promoting economic development through tax  
2 relief for start-up firms; adding new sections to chapter 82.04 RCW;  
3 and providing an effective date.

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

5       NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW  
6 to read as follows:

7       The legislature finds that start-up companies serve as one of the  
8 strongest sources of new jobs in the United States and the state. The  
9 legislature also finds that the survival of new businesses in the state  
10 is hampered by the state's tax structure, particularly the business and  
11 occupation tax which firms must pay even when they are not yet  
12 profitable. It is the intent of the legislature to provide businesses  
13 with a fifty percent credit against business and occupation tax owed  
14 for the first five years of their operation.

15       NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW  
16 to read as follows:

17       (1) In computing the tax imposed under this chapter, a credit is

1 allowed for each person engaged in an eligible new business in an  
2 amount equal to fifty percent of the tax otherwise due under this  
3 chapter after all other credits and deductions have been applied.

4 (2)(a) For the purposes of this section, "eligible new business"  
5 means a business that:

6 (i) Has not been operating in Washington for longer than sixty  
7 months. The date that a new business began operating in Washington,  
8 for purposes of this section, is calculated from the date that a new  
9 business first engages in business in Washington or engages in any  
10 activity that generates gross income of the business from sources  
11 within this state regardless of physical presence;

12 (ii) Has invested fifty thousand dollars or more in capital  
13 investments; and

14 (iii) Has four or more full-time employees.

15 (b) "Eligible new business" does not include:

16 (i) A successor business;

17 (ii) A business that has been reincorporated, restructured,  
18 reorganized, or transferred, or results from any of the foregoing,  
19 unless the majority of the activities to be conducted after the  
20 reincorporation, restructuring, reorganization, or transfer, calculated  
21 by relative gross income, are significantly different from the  
22 activities previously conducted;

23 (iii) A new branch location or other facility except by an existing  
24 out-of-state entity first doing business in this state; or

25 (iv) A business that is substantially similar to a business  
26 currently operated, or operated within the past five years, when the  
27 majority of the beneficial ownership is the same.

28 (3) A new business must file an application, in a form and manner  
29 required by the department, to qualify for the credit under this  
30 section.

31 (4) For purposes of this section a business or business activities  
32 are presumed to be "substantially similar" and not "significantly  
33 different" if properly within the same industry group of the North  
34 American industry classification system.

35 (5) The credit under this section does not apply to income  
36 attributable to any period in which a business is operating in  
37 Washington but has not registered with the department as required under

1 RCW 82.32.030.

2 NEW SECTION. **Sec. 3.** This act takes effect August 1, 2013.

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