
Higher Education Committee

HB 2780

Brief Description: Making higher education more affordable by providing incentives for the use of open source instructional materials.

Sponsors: Representatives Young, Bergquist, Stambaugh, Kilduff, Hargrove, Zeiger and Hickel.

Brief Summary of Bill

- Provides a tax credit to businesses that create open source instructional materials for use at private or public institutions of higher education, free of charge, if the material is adopted as the primary resource for a course and replaces materials the students would have otherwise been required to buy.

Hearing Date: 1/29/16

Staff: Trudes Tango (786-7384).

Background:

Public institutions of higher education must have rules that, among other things, encourage faculty to consider the least costly practices in assigning course materials, such as adopting the least expensive edition available, adopting free, open textbooks when available, and working with college libraries to create free online web and library resources.

The Open Course Library (OCL) is a collection of free, digital, shareable educational materials, which includes textbooks, syllabi, course activities, readings, and assessments for high-enrollment college courses. Materials in the library (called open educational resources) are sometimes paired with textbooks costing as low as \$30 or less. The open course library is managed by the State Board for Community and Technical Colleges. It is accessible to students, faculty, and the public. Faculty may use all or portions of the courses or materials in the OCL.

Business & Occupation tax

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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. Current law authorizes multiple exemptions, deductions and credits to reduce the B&O tax liability for specific taxpayers and business industries.

Summary of Bill:

This Act is called the Textbook Affordability via Open Sourcing Act. The Legislature intends to create an incentive to increase the use of open source materials and to attract both textbook publishers and entities from a multitude of sectors that have expertise and knowledge, to make their textbooks and materials available to students for free.

A company that publishes or creates open source instructional materials to be used by students attending private or public institutions of higher education in the state may be eligible for a tax credit if:

- the materials are provided at no cost to the institution and the students;
- an instructor of the institution officially adopts the material as the primary resource for the course; and
- the material is used in lieu of materials that the students would have been required to purchase.

"Open source instructional material" means textbooks, manuals, and other similar educational readings, in digital form, that are required or essential to a course of study offered at a private or public institution of higher education.

To claim a tax credit, a taxpayer must file electronically with the Department of Revenue (DOR), however no application is required. The credit is equal to 50 percent of the estimated value of the open source instructional material. For a taxpayer to qualify for the credit, an institution must provide the DOR the name, address and unified business identifier, for persons that provide the open source material, and the estimated value of the open source material adopted. The estimated value is calculated by multiplying the number of students using the material during the academic year multiplied by the value of the materials replaced. Institutions must provide the estimated value at the end of each academic year the open source material is used; however, subsequent estimates of value for the same open source material do not qualify the taxpayer for an additional tax credit.

The maximum amount of credit that can be claimed per company is \$35,000 per calendar year. Unused credits may be carried forward for two consecutive calendar years. The total statewide credit cap is \$1.5 million per calendar year. Credits are available on a first-in-time basis..

Credits may be earned from January 1, 2018, to December 31, 2028.

A tax preference performance statement is included. To measure the effectiveness of the tax preference in achieving the Legislature's specific public policy goal, the Joint Legislative Audit and Review Committee (JLARC) must evaluate:

- The number of businesses that benefit from the tax credit, including the total annual revenue impact and the average credit amount claimed;
- The number of institutions of higher education that are using open source instructional materials; and
- The number of courses in each institution using open source instructional materials as the main resource for students and the number of students in those courses.

The JLARC may request institutions to provide the necessary data needed to complete the evaluation. The JLARC must complete the evaluation by December 31, 2025, and report its findings to the Legislature during the 2026 Legislative session.

Appropriation: None.

Fiscal Note: Requested.

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