
HOUSE BILL 1820

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By Representatives Boehnke, J. Johnson, Shewmake, Ybarra, Leavitt, Walen, Fitzgibbon, Chase, Wicks, Chambers, Callan, Ramel, Slatter, and Riccelli

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1 AN ACT Relating to economic development through advanced
2 leadership security; adding a new section to chapter 43.330 RCW;
3 adding a new section to chapter 82.04 RCW; creating new sections; and
4 providing an expiration date.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that surmounting
7 global challenges like climate change will require the best in
8 entrepreneurship and innovation from global talent, and that the
9 surest path to economic development and security for Washington in an
10 uncertain and changing world is advanced technology leadership.

11 (2) The legislature finds that the foundational technologies
12 transforming the economy of the 21st century are artificial
13 intelligence, semiconductors, 5G wireless, quantum information
14 science, biotechnology, and clean energy. Authentic and robust
15 leadership in these fields of research and development will have a
16 great impact on the economic security and environmental
17 sustainability of our state and nation. For these reasons, the
18 legislature intends to financially support a long-term strategy for
19 unrivaled excellence in academic preparation and workforce
20 development in the fields connected to these foundational
21 technologies.

1 (3) The legislature declares that the state strategy to
2 accomplish advanced technology leadership and security must rest on
3 two pillars. First, Washington must consistently recruit and retain
4 the best researchers and instructors in these fields connected to
5 foundational technologies. Second, because a premier workforce can
6 only be developed where there are great places to work, Washington
7 must offer a full spectrum of public policy support for
8 entrepreneurship and commercialization of technologically advanced
9 products and services.

10 (4) Therefore, the legislature intends to establish a strategic
11 fund for the recruitment and retention of the most talented academics
12 in science, technology, engineering, and mathematics. The legislature
13 also intends to provide a business and occupation tax credit for
14 certain qualifying research and development activity. While
15 Washington is committed to advanced technology leadership efforts in
16 foundational technologies of the 21st century, the legislature
17 intends initially to emphasize research and development activity and
18 the recruitment of academic talent in the clean technology sector to
19 enhance our economic development during the transition to a net zero
20 greenhouse gas emissions economy.

21 NEW SECTION. **Sec. 2.** This act may be known and cited as the
22 advanced leadership and security act, or ATLAS act.

23 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.330
24 RCW to read as follows:

25 (1) The advanced technology leadership and security strategic
26 reserve account is created in the state treasury to be used only for
27 the purposes specified in subsections (3) and (4) of this section.

28 (2) The director may authorize expenditures from the account that
29 are consistent with this section.

30 (3) Expenditures from the account may be made solely for the
31 purpose of recruiting or retaining a researcher or instructor with
32 the requisite skills to assist in clean technology innovation at a
33 Washington state academic institution, state, or national laboratory.
34 The president of any Washington state academic institution, state, or
35 national laboratory, wishing to access the funds in the account for
36 these purposes must submit a signed declaration to the director on
37 such form, and with such supporting materials, as the director may
38 proscribe for these purposes.

1 (4) In connection with the analysis and decision making on award
2 of funds from the account, the department may draw upon the account
3 to provide such assistance as may be requested by the academic
4 institution or as may be deemed necessary by the director for due
5 diligence.

6 (5) When the director determines it is prudent to make an award,
7 the director shall make factual findings establishing the nexus
8 between the amount awarded and the furtherance of the purposes of
9 advanced technology leadership and security for Washington's economy.
10 Each year, the department shall compile a report on any awards from
11 this account, together with any findings supporting the award of
12 funds and submit the report to the economic development committees of
13 the legislature.

14 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.04
15 RCW to read as follows:

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

20 (2)(a) The credit is equal to:

21 (i) The greater of the amount of qualified clean technology
22 research and development expenditures of a person or 80 percent of
23 amounts received by a person other than a public educational or
24 research institution in compensation for the conduct of qualified
25 clean technology research and development;

26 (ii) Less 0.92 percent of the person's taxable amount from the
27 amount determined under (a)(i) of this subsection;

28 (iii) Multiplied the amount determined under (a)(ii) of this
29 subsection by 1.50 percent.

30 (b) For purposes of calculating the credit, if a person's
31 reporting period is less than annual, the person may use an estimated
32 average tax rate for the calendar year for which the credit is
33 claimed by using the person's average tax rate for each reporting
34 period. A person who uses an estimated average tax rate must make an
35 adjustment to the total credit claimed for the calendar year using
36 the person's actual average tax rate for the calendar year when the
37 person files the last return for the calendar year for which the
38 credit is claimed.

1 (3) Any person entitled to the credit provided in subsection (2)
2 of this section as a result of qualified clean technology research
3 and development conducted under contract may assign all or any
4 portion of the credit to the person contracting for the performance
5 of the qualified clean technology research and development.

6 (4) The credit, including any credit assigned to a person under
7 subsection (3) of this section, must be claimed against taxes due for
8 the same calendar year in which the qualified clean technology
9 research and development expenditures are incurred. The credit,
10 including any credit assigned to a person under subsection (3) of
11 this section, for each calendar year may not exceed the lesser of
12 \$900,000 or the amount of tax otherwise due under this chapter for
13 the calendar year.

14 (5) For any person claiming the credit, including any credit
15 assigned to a person under subsection (3) of this section, whose
16 research and development spending during the calendar year in which
17 the credit is claimed fails to exceed 0.92 percent of the person's
18 taxable amount during the same calendar year or who is otherwise
19 ineligible, the department must declare the taxes against which the
20 credit was claimed to be immediately due and payable. The department
21 must assess interest, but not penalties, on the taxes against which
22 the credit was claimed. Interest must be assessed at the rate
23 provided for delinquent excise taxes under chapter 82.32 RCW,
24 retroactively to the date the credit was claimed, and accrues until
25 the taxes against which the credit was claimed are repaid. Any credit
26 assigned to a person under subsection (3) of this section that is
27 disallowed as a result of this section may be claimed by the person
28 who performed the qualified clean technology research and development
29 subject to the limitations in subsection (4) of this section.

30 (6) A person claiming the credit provided in this section must
31 file a complete annual report with the department under RCW
32 82.32.534.

33 (7) For the purpose of this section:

34 (a) "Average tax rate" means a person's total tax liability under
35 this chapter for the calendar year for which the credit is claimed
36 divided by the taxpayer's total taxable amount under this chapter for
37 the calendar year for which the credit is claimed.

38 (b) "Qualified clean technology research and development" means
39 research and development activity pursuing innovations that are key
40 to success in achieving a net zero greenhouse gas emissions economy

1 in Washington state, including clean hydrogen that is produced
2 without emitting carbon, next generation nuclear fission, nuclear
3 fusion, grid-scale electricity storage, electrofuels, advanced
4 biofuels, zero carbon steel, plant and cell-based meat and dairy,
5 zero carbon fertilizer, carbon capture, underground electricity
6 transmission, zero carbon plastics, geothermal energy, pumped
7 hydropower, thermal storage, drought and flood-tolerant food crops,
8 zero carbon alternatives to palm oil, and coolants that do not
9 contain F-gases.

10 (c) "Qualified clean technology research and development
11 expenditures" means operating expenses, including wages, compensation
12 of a proprietor or a partner in a partnership as determined under
13 rules adopted by the department, benefits, supplies, and computer
14 expenses, directly incurred in qualified clean technology research
15 and development by a person claiming the credit provided in this
16 section. The term does not include amounts paid to a person other
17 than a public educational or research institution to conduct
18 qualified clean technology research and development. Nor does the
19 term include capital costs and overhead, such as expenses for land,
20 structures, or depreciable property.

21 (d) "Research and development spending" means qualified clean
22 technology research and development expenditures plus 80 percent of
23 amounts paid to a person other than a public educational or research
24 institution to conduct qualified clean technology research and
25 development.

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

31 (8) This section expires January 1, 2033.

32 NEW SECTION. **Sec. 5.** (1) This section is the tax preference
33 performance statement for the tax preference contained in section 4,
34 chapter . . ., Laws of 2022 (section 4 of this act). This performance
35 statement is only intended to be used for subsequent evaluation of
36 the tax preference. It is not intended to create a private right of
37 action by any party or to be used to determine eligibility for
38 preferential tax treatment.

1 (2) The legislature categorizes this tax preference as one
2 intended to provide tax relief for certain businesses or individuals,
3 as indicated in RCW 82.32.808(2)(e).

4 (3) It is the legislature's specific public policy objective to
5 create and retain businesses that are forming to take on the
6 challenge of creating a modern net zero greenhouse gas emissions
7 economy that outperforms fossil fuel-dependent economies.

8 (4) If the review finds that there is growth in the clean
9 technology industry cluster in Washington as measured by the number
10 of businesses claiming the tax credit year over year, then the
11 legislature intends to extend the expiration of this tax preference.

12 (5) In order to obtain the data necessary to perform the review
13 in subsection (4) of this section, the joint legislative audit and
14 review committee may refer to any data collected by the state.

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