

1 **HB 1821 - H AMD 325 ADOPTED 3-18-97**

2 By Representative B. Thomas

3 On page 11, after line 11, insert:

4 "Sec. 12. RCW 82.04.4452 and 1994 sp.s. c 5 s 2 are each
5 amended to read as follows:

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

10 (2) The credit is equal to the greater of the amount of
11 qualified research and development expenditures of a person or
12 eighty percent of amounts received by a person other than a public
13 educational or research institution in compensation for the conduct
14 of qualified research and development, multiplied by the rate (~~of~~
15 ~~0.515 percent~~) provided in RCW 82.04.260(5) in the case of a
16 nonprofit corporation or nonprofit association engaging within this
17 state in research and development, and (~~2.5 percent~~) the rate
18 provided in RCW 82.04.290(2) for every other person.

19 (3) Any person entitled to the credit provided in subsection
20 (2) of this section as a result of qualified research and
21 development conducted under contract may assign all or any portion
22 of the credit to the person contracting for the performance of the
23 qualified research and development.

24 (4) The credit, including any credit assigned to a person
25 under subsection (3) of this section, shall be taken against taxes
26 due for the same calendar year in which the qualified research and
27 development expenditures are incurred. The credit, including any
28 credit assigned to a person under subsection (3) of this section,
29 for each calendar year shall not exceed the lesser of two million
30 dollars or the amount of tax otherwise due under this chapter for
31 the calendar year.

32 (5) Any person taking the credit, including any credit
33 assigned to a person under subsection (3) of this section, whose
34 research and development spending during the calendar year in which
35 the credit is claimed fails to exceed 0.92 percent of the person's
36 taxable amount during the same calendar year shall be liable for

1 payment of the additional taxes represented by the amount of credit
2 taken together with interest, but not penalties. Interest shall be
3 due at the rate provided for delinquent excise taxes retroactively
4 to the date the credit was taken until the taxes are paid. Any
5 credit assigned to a person under subsection (3) of this section
6 that is disallowed as a result of this section may be taken by the
7 person who performed the qualified research and development subject
8 to the limitations set forth in subsection (4) of this section.

9 (6) Any person claiming the credit, and any person assigning
10 a credit as provided in subsection (3) of this section, shall file
11 an affidavit form prescribed by the department which shall include
12 the amount of the credit claimed, an estimate of the anticipated
13 qualified research and development expenditures during the calendar
14 year for which the credit is claimed, an estimate of the taxable
15 amount during the calendar year for which the credit is claimed,
16 and such additional information as the department may prescribe.

17 (7) A person claiming the credit shall agree to supply the
18 department with information necessary to measure the results of the
19 tax credit program for qualified research and development
20 expenditures.

21 (8) The department shall use the information required under
22 subsection (7) of this section to perform three assessments on the
23 tax credit program authorized under this section. The assessments
24 will take place in 1997, 2000, and 2003. The department shall
25 prepare reports on each assessment and deliver their reports by
26 September 1, 1997, September 1, 2000, and September 1, 2003. The
27 assessments shall measure the effect of the program on job
28 creation, the number of jobs created for Washington residents,
29 company growth, the introduction of new products, the
30 diversification of the state's economy, growth in research and
31 development investment, the movement of firms or the consolidation
32 of firms' operations into the state, and such other factors as the
33 department selects.

34 (9) For the purpose of this section:

35 (a) "Qualified research and development expenditures" means
36 operating expenses, including wages, compensation of a proprietor
37 or a partner in a partnership as determined under rules adopted by
38 the department, benefits, supplies, and computer expenses, directly

1 incurred in qualified research and development by a person claiming
2 the credit provided in this section. The term does not include
3 amounts paid to a person other than a public educational or
4 research institution to conduct qualified research and development.
5 Nor does the term include capital costs and overhead, such as
6 expenses for land, structures, or depreciable property.

7 (b) "Qualified research and development" shall have the same
8 meaning as in RCW 82.63.010.

9 (c) "Research and development spending" means qualified
10 research and development expenditures plus eighty percent of
11 amounts paid to a person other than a public educational or
12 research institution to conduct qualified research and development.

13 (d) "Taxable amount" means the taxable amount subject to the
14 tax imposed in this chapter required to be reported on the person's
15 combined excise tax returns during the year in which the credit is
16 claimed, less any taxable amount for which a credit is allowed
17 under RCW 82.04.440.

18 (10) This section shall expire December 31, 2004."

19 Renumber sections consecutively, correct any internal
20 references accordingly, and correct the title.

EFFECT: The rates provided in the high technology B&O tax
credit are reduced to 0.484 percent for nonprofit
organizations and to 1.5 percent for other eligible firms.