

2 **SB 7902** - S AMD - 021  
3 By Senator West

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5 On page 4, after line 10, insert the following:

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

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

12 (2) The credit is equal to 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, multiplied by the rate (~~of 0.515 percent~~)  
17 provided in RCW 82.04.260(6) in the case of a nonprofit corporation or  
18 nonprofit association engaging within this state in research and  
19 development, and (~~2.5 percent~~) the rate provided in RCW 82.04.290(2)  
20 for every other person.

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

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

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

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

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

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

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

33 (9) For the purpose of this section:

34 (a) "Qualified research and development expenditures" means  
35 operating expenses, including wages, compensation of a proprietor or a  
36 partner in a partnership as determined under rules adopted by the  
37 department, benefits, supplies, and computer expenses, directly  
38 incurred in qualified research and development by a person claiming the  
39 credit provided in this section. The term does not include amounts

1 paid to a person other than a public educational or research  
2 institution to conduct qualified research and development. Nor does  
3 the term include capital costs and overhead, such as expenses for land,  
4 structures, or depreciable property.

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

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

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

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

17 Renumber the sections consecutively and correct any internal  
18 references accordingly.

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22 On page 1, on line 2 of the title, strike "and 82.04.293" and  
23 insert "82.04.293, and 82.04.4452"

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**EFFECT:** Ties the B&O tax credit for high technology research and  
development to the new lower tax rate rather than the 1993 tax  
rate.