

# SENATE BILL REPORT

## SB 5496

---

---

As of February 9, 2007

**Title:** An act relating to creating a tax credit against the business and occupation tax for persons who make contributions to the economic development strategic reserve account.

**Brief Description:** Creating a business and occupation tax credit for contributions to the economic development strategic reserve account.

**Sponsors:** Senators Kilmer, Kastama, Clements, Kauffman, Shin, Delvin and Rasmussen.

**Brief History:**

**Committee Activity:** Economic Development, Trade & Management: 2/06/07.

---

### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

**Staff:** Jack Brummel (786-7428)

**Background:** The Legislature established the Economic Development Commission in 2003 to develop the state's economic development strategy, provide advice on policy and programs, and make recommendations.

The Economic Development Strategic Reserve Account was created by the Legislature in 2005 to fund staffing and operational costs of the Economic Development Commission and to attract businesses or prevent businesses in the state from closing or moving out of state. The account balance is capped at \$15 million.

Washington's business and occupation (B&O) tax is calculated on gross income from business activities in the state. Almost all businesses located or doing business in the state of Washington are subject to the state B&O tax, including corporations, partnerships, sole proprietors and nonprofit organizations. There are no deductions from the B&O tax for labor, materials, taxes or other costs of doing business. Some businesses, however, may qualify for certain exemptions, deductions or credits. Credits are subtracted from the B&O tax and include the multiple activities tax credit, the high technology B&O tax credit, and the small business B&O tax credit.

**Summary of Bill:** A credit against the state's B&O tax is allowed for contributions made to the Economic Development Strategic Reserve Account. The maximum credit is limited to \$250. A statewide cap of \$2 million per fiscal year is imposed and the credits are available on a first-come basis. A person may carry over the amount of the tax credit not taken in a calendar year, for up to three years. Credit may be earned for activity on or after July 1, 2007.

---

*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.*

Expenditures from the account are to be made in an amount sufficient to fund the Executive Director of the Economic Development Commission, and such other staff as the commission determines are necessary. The maximum account balance is increased to \$20 million.

**Appropriation:** None

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.