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SENATE BILL 5339

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State of Washington

64th Legislature

2015 Regular Session

By Senators Padden, Rivers, Angel, Dinsel, Schoesler, Becker, Warnick, Honeyford, and Parlette

Read first time 01/19/15. Referred to Committee on Trade & Economic Development.

1 AN ACT Relating to creating a business and occupation tax credit  
2 for new businesses; adding a new section to chapter 82.04 RCW;  
3 providing an effective date; and declaring an emergency.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04  
6 RCW to read as follows:

7 (1) In computing the tax imposed under this chapter, an eligible  
8 new business is allowed a credit under either (a) or (b) of this  
9 subsection. The credit must be taken after all other credits and  
10 deductions have been applied.

11 (a) During the first twelve months after being approved by the  
12 department a credit is allowed in an amount equal to one hundred  
13 percent of the tax otherwise due under this chapter; or

14 (b) If a new business has less than twenty-five employment  
15 positions at the time it applies for the credit during the first  
16 twenty-four months after being approved by the department, a credit  
17 is allowed in an amount equal to one hundred percent of the tax  
18 otherwise due under this chapter. During the next twelve months of  
19 operation of the business, the business is allowed a credit equal to  
20 fifty percent of the tax otherwise due under this chapter.

1 (2) The following definitions in this subsection apply throughout  
2 this section unless the context clearly requires otherwise.

3 (a) "Employment position" means a full-time, permanent employee  
4 of the new business.

5 (b)(i) "New business" means a business that has not been  
6 operating in Washington longer than twelve months from the time the  
7 business applies for the credit under this section. The date that a  
8 new business began operating in Washington, for purposes of this  
9 section, is calculated from the date that a new business first  
10 engages in business in Washington or engages in any activity that  
11 generates gross income of the business from sources within this state  
12 regardless of physical presence.

13 (ii) "New business" does not include:

14 (A) A business that has been reincorporated, restructured,  
15 reorganized, or transferred, unless the majority of the activities to  
16 be conducted after the reincorporation, restructuring,  
17 reorganization, or transfer, calculated by relative gross income, are  
18 significantly different from the activities previously conducted;

19 (B) A new branch location or other facility, unless such new  
20 branch location or other facility is by an existing out-of-state  
21 entity first doing business in this state; and

22 (C) A business that is substantially similar to a business  
23 currently operated, or operated within the past five years, when the  
24 majority of the beneficial ownership is the same.

25 (iii) For the purposes of this section, a business or business  
26 activities are presumed to be "substantially similar" and not  
27 "significantly different" if properly within the same industry group  
28 of the North American industry classification system.

29 (3) A new business must file an application, in the form and  
30 manner required by the department, to qualify for the credit under  
31 this section.

32 (4) The credit under this section is not available during any  
33 period in which a business is operating in Washington but has not  
34 registered with the department as required under RCW 82.32.030.

35 NEW SECTION. **Sec. 2.** This act is necessary for the immediate  
36 preservation of the public peace, health, or safety, or support of

1 the state government and its existing public institutions, and takes  
2 effect July 1, 2015.

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