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**SENATE BILL 5339**

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**State of Washington 64th Legislature 2015 Regular Session**

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

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

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

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

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

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

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

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

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

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

(ii) "New business" does not include:

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

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

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

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

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

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

NEW SECTION. **Sec.**  This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2015.

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