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HOUSE BILL 1684

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State of Washington

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By Representatives Cairnes, Nixon, Bush, McDonald, Carrell, Orcutt, McMahan, Shabro, Armstrong, Delvin, Holmquist, Clements, Benson, Mielke, Pflug, Hinkle, Condotta, Anderson, Woods, Buck, Newhouse, Bailey, Kristiansen, Sehlin, Sump, Pearson, Chandler, Ericksen and Roach

Read first time 02/04/2003. Referred to Committee on Finance.

1 AN ACT Relating to eliminating the expiration date on the business  
2 and occupation tax credit for research and development; and amending  
3 RCW 82.04.4452.

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

5 **Sec. 1.** RCW 82.04.4452 and 2000 c 103 s 7 are each amended to read  
6 as follows:

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

11 (2) The credit is equal to the greater of the amount of qualified  
12 research and development expenditures of a person or eighty percent of  
13 amounts received by a person other than a public educational or  
14 research institution in compensation for the conduct of qualified  
15 research and development, multiplied by the rate provided in RCW  
16 82.04.260(3) in the case of a nonprofit corporation or nonprofit  
17 association engaging within this state in research and development, and  
18 the rate provided in RCW 82.04.290(2) for every other person.

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

6 (4) The credit, including any credit assigned to a person under  
7 subsection (3) of this section, shall be taken against taxes due for  
8 the same calendar year in which the qualified research and development  
9 expenditures are incurred. The credit, including any credit assigned  
10 to a person under subsection (3) of this section, for each calendar  
11 year shall not exceed the lesser of two million dollars or the amount  
12 of tax otherwise due under this chapter for the calendar year.

13 (5) Any person taking the credit, including any credit assigned to  
14 a person under subsection (3) of this section, whose research and  
15 development spending during the calendar year in which the credit is  
16 claimed fails to exceed 0.92 percent of the person's taxable amount  
17 during the same calendar year shall be liable for payment of the  
18 additional taxes represented by the amount of credit taken together  
19 with interest, but not penalties. Interest shall be due at the rate  
20 provided for delinquent excise taxes retroactively to the date the  
21 credit was taken until the taxes are paid. Any credit assigned to a  
22 person under subsection (3) of this section that is disallowed as a  
23 result of this section may be taken by the person who performed the  
24 qualified research and development subject to the limitations set forth  
25 in subsection (4) of this section.

26 (6) Any person claiming the credit, and any person assigning a  
27 credit as provided in subsection (3) of this section, shall file an  
28 affidavit form prescribed by the department which shall include the  
29 amount of the credit claimed, an estimate of the anticipated qualified  
30 research and development expenditures during the calendar year for  
31 which the credit is claimed, an estimate of the taxable amount during  
32 the calendar year for which the credit is claimed, and such additional  
33 information as the department may prescribe.

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

37 (8) The department shall use the information required under  
38 subsection (7) of this section to perform three assessments on the tax

1 credit program authorized under this section. The assessments will  
2 take place in 1997, 2000, and 2003. The department shall prepare  
3 reports on each assessment and deliver their reports by September 1,  
4 1997, September 1, 2000, and September 1, 2003. The assessments shall  
5 measure the effect of the program on job creation, the number of jobs  
6 created for Washington residents, company growth, the introduction of  
7 new products, the diversification of the state's economy, growth in  
8 research and development investment, the movement of firms or the  
9 consolidation of firms' operations into the state, and such other  
10 factors as the department selects.

11 (9) For the purpose of this section:

12 (a) "Qualified research and development expenditures" means  
13 operating expenses, including wages, compensation of a proprietor or a  
14 partner in a partnership as determined under rules adopted by the  
15 department, benefits, supplies, and computer expenses, directly  
16 incurred in qualified research and development by a person claiming the  
17 credit provided in this section. The term does not include amounts  
18 paid to a person other than a public educational or research  
19 institution to conduct qualified research and development. Nor does  
20 the term include capital costs and overhead, such as expenses for land,  
21 structures, or depreciable property.

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

24 (c) "Research and development spending" means qualified research  
25 and development expenditures plus eighty percent of amounts paid to a  
26 person other than a public educational or research institution to  
27 conduct qualified research and development.

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

33 (~~(10) This section expires December 31, 2004.~~)

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