

SENATE BILL REPORT

SB 6774

As of February 01, 2006

Title: An act relating to the business and occupation tax credit for high technology research and development spending.

Brief Description: Restoring the business and occupation tax credit for high technology research and development spending.

Sponsors: Senators Rockefeller, Zarelli, Brandland, Parlette, Shin, Regala, Rasmussen, McAuliffe and Mulliken.

Brief History:

Committee Activity: Ways & Means: 2/1/06.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business.

A B&O tax credit for high technology research and development is available for research and development (R&D) expenditures for high technology firms. The credit is equal to the amount of R&D expenditures in excess of 0.92 percent of the firm's taxable amount multiplied by the taxpayer's average tax rate, with a \$2.0 million maximum annual credit per firm. Beginning in calendar year 2007, the credit is based on the greater of the firm's average tax rate or a specified percentage. The specified percentage is 0.75 percent in calendar year 2007; 1 percent in 2008; and 1.25 percent in 2009. Beginning in calendar year 2010, the tax rate is 1.5 percent. The credit expires January 1, 2015.

Summary of Bill: The B&O tax credit for high technology R&D is based on a firm's total expenditures rather than on expenditures in excess of 0.92 percent of the firm's taxable amount.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: The deduction is onerous for small business. This is intended to make the law the way it was.

Testimony Against: None.

Who Testified: PRO: Amber Carter, AWB; Mike Bernard, Madison Cooke.