

Multiple Agency Fiscal Note Summary

Bill Number: 1794 HB	Title: Research and development
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(30,000,000)	(30,000,000)	(30,000,000)	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)
Total \$	(30,000,000)	(30,000,000)	(30,000,000)	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Total						
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	No fiscal impact					

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	.1	19,800	19,800	19,800	.0	4,400	4,400	4,400	.0	4,400	4,400	4,400
Department of Revenue	32.8	7,129,900	7,129,900	7,129,900	62.2	11,941,200	11,941,200	11,941,200	61.5	11,772,600	11,772,600	11,772,600
Total \$	32.9	7,149,700	7,149,700	7,149,700	62.2	11,945,600	11,945,600	11,945,600	61.5	11,777,000	11,777,000	11,777,000

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 3/ 2/2023
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Individual State Agency Fiscal Note

Bill Number: 1794 HB	Title: Research and development	Agency: 014-Joint Legislative Audit and Review Committee
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.0	0.1	0.0	0.0
Account					
General Fund-State 001-1	17,600	2,200	19,800	4,400	4,400
Total \$	17,600	2,200	19,800	4,400	4,400

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Kristina King	Phone: 360-786-7190	Date: 02/15/2023
Agency Preparation: Zack Freeman	Phone: 360-786-5179	Date: 02/17/2023
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 02/17/2023
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 02/20/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

This bill provides tax credits on research and development expenditures. Eligible expenditures must be made between July 1, 2024 and December 31, 2044. JLARC is to review the preferences in 2033 and 2043.

Section 1 – B&O Tax Credit for Research & Development (R&D)

Establishes a B&O tax credit for qualified R&D expenditures. Credits are available on a first-in-time basis and are limited to a maximum of \$10 million per year. The credit is non-refundable.

Claimants are required to file a complete annual tax performance report by March 31 each year. The report must include the following information:

- Amount of the tax credit claimed.
- Qualified R&D expenditures during the calendar year.
- Taxable amount during the calendar year.
- Number of new products or research products by general classification
- Number of trademarks, patents, and copyrights associated with the R&D activities.
- The following information for employment positions in Washington:
 - o Number of total employment positions.
 - o Full-time, part-time, and temporary employment positions as a percent of total employment.
 - o Number of employment positions in the following wage bands:
 - <\$100,000
 - \$100,000 <>\$150,000
 - >\$150,000
 - o Number of employment positions that have employer-provided medical, dental, and retirement benefits, by each wage band.

Sections 2 & 3 – Sales & Use Tax Exemptions for R&D

Creates a sales & use tax exemption for purchases of qualified R&D equipment. The exemption is provided via remittance after the purchaser has filed an application with DOR. The application must be submitted in January for qualified purchases in the year prior. The application must include information on the qualified R&D equipment, the purchase price, and the taxes paid.

Claims under sections 2 and 3 are capped at \$10 million per year. DOR must prorate credit applications if total claims exceed the cap.

Section 4 – Tax Preference Performance Statement

The preference is intended to induce increased expenditures on R&D, and:

- Increase industry competitiveness through innovation
- Increase the availability of middle-class jobs and upward mobility for low-income individuals.
- Increase the rate of entrepreneurship and the formation of high growth potential startups.

The Legislature intends to measure the performance of these preferences with two metrics.

1. The number of jobs providing middle class wages relative to all jobs in the economy against the same measure of middle-class jobs relative to all jobs in the state economy in the first full calendar year that the R&D credits are available.
2. Total expenditures and rate of growth of expenditures in R&D by Washington state firms prior to the first full calendar year that the R&D credits became available (to extent data is commercially available) and compare these figures against the rate of growth and total expenditures for each calendar year that R&D credits are available.

The Legislature intends to extend the preferences if a review finds increases in both metrics since the credits were

established.

JLARC is to review the preferences in 2033 and 2043. The preferences expire December 31, 2044.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

JLARC staff would contact and work with the Department of Revenue and other appropriate agencies immediately after passage of the bill to ensure project contacts are established and any other necessary data for JLARC staff’s future evaluation needs are identified and collected. JLARC is required to review the preferences in 2033 and 2043.

The expenditure detail reflects work conducted to prepare for the future review of the preferences. Costs associated with the review are not included in this fiscal note. This fiscal note reflects only the costs associated with establishing data collection.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2023 legislative session.

This audit will require an estimated 1 audit months.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst’s time for a month, together with related administrative, support, and goods/services costs. JLARC’s anticipated 2021-23 costs are calculated at approximately \$22,100 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	17,600	2,200	19,800	4,400	4,400
Total \$			17,600	2,200	19,800	4,400	4,400

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	11,400	1,400	12,800	2,800	2,800
B-Employee Benefits	3,600	500	4,100	1,000	1,000
C-Professional Service Contracts					
E-Goods and Other Services	2,400	300	2,700	600	600
G-Travel	200		200		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	17,600	2,200	19,800	4,400	4,400

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Research Analyst	126,694	0.1		0.1		
Support staff	89,671					
Total FTEs		0.1		0.1		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Department of Revenue Fiscal Note

Bill Number: 1794 HB	Title: Research and development	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		(10,000,000)	(10,000,000)	(20,000,000)	(20,000,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
Total \$		(30,000,000)	(30,000,000)	(40,000,000)	(40,000,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	3.3	62.3	32.8	62.2	61.5
GF-STATE-State 001-1	645,900	6,484,000	7,129,900	11,941,200	11,772,600
Total \$	645,900	6,484,000	7,129,900	11,941,200	11,772,600

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Kristina King	Phone: 60-786-7190	Date: 02/15/2023
Agency Preparation: Beth Leech	Phone: 60-534-1513	Date: 03/01/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 03/01/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/02/2023

Request # 1794-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

CURRENT LAW:

There are no research and development (R&D) tax preferences available except those for the aerospace industry.

PROPOSAL:

BUSINESS AND OCCUPATION TAX CREDIT FOR RESEARCH AND DEVELOPMENT EXPENDITURES (Section 1):

This section creates a business and occupation (B&O) tax credit for qualified R&D expenditures. The credit is calculated as follows:

- The greater of the amount of qualified R&D expenditures or 80% of amounts received, other than a public educational or research institution, in compensation for the conduct of qualified R&D.
- Less 0.92% of the taxable amount.
- Multiplied by 1.75%.

The credit may not exceed the tax otherwise due for the reporting period. Any amount of allowable tax credit not claimed in a calendar year may be carried over two succeeding years.

Credits are available on a first-in-time basis. The credit carries a statewide annual cap of \$10 million. The Department of Revenue (department) must disallow any credits or portion of credits that would exceed \$10 million during any calendar year. If this limitation is reached, the department must post a notice on its website and provide written notice to any taxpayer who claimed a credit in excess of the limitation.

To claim a credit, a taxpayer must file all returns, forms, and other information required by the department electronically. The taxpayer must also complete an annual tax performance report. All data collected, except the amount of credit claimed, is considered confidential taxpayer information. Those with an annual credit less than \$10,000 may request that the department treat the credit amount as confidential. If a taxpayer fails to complete the annual tax performance report, that taxpayer will not be eligible to claim the credit during that year.

Qualified machinery and equipment mean fixtures, equipment, and support facilities that are an integral and necessary part of a pilot scale manufacturing or qualified research and development operation.

Qualified research and development mean activities performed to discover technological information, and technical and nonroutine activities concerned with translating technological information into new or improved products, processes, techniques, formulas, inventions, or software.

Qualified research and development expenditures mean expenses incurred during a calendar year on machinery, equipment, and personnel used in qualified research and development.

Taxable amount means the taxable amount subject to B&O tax required to be reported for the calendar year for which the credit is claimed, less the taxable amount related to the multiple activities tax credit.

Credits may be earned beginning July 1, 2024, and ending December 31, 2042. No credit may be claimed on or after January 1, 2045.

RETAIL SALES AND USE TAX REMITTANCE FOR RESEARCH AND DEVELOPMENT EQUIPMENT (Sections 2 and 3):

These sections create a state sales and use tax exemption in the form of a remittance for purchases of qualified R&D equipment. Taxpayers may apply for the remittance in January of the calendar year following the calendar year in which the qualifying purchases were made and may only apply once per calendar year. Taxpayers who receive a remittance must file an annual tax performance report.

If the total amount of exemptions applied for by all applicants exceeds \$10 million in the calendar year, the department must pro-rate the amount of exemption allowed for all qualified applicants so not to exceed the \$10 million limit. If an exemption is reduced, the amount of reduction may not be carried forward to subsequent years.

Qualified R&D equipment means tangible personal property not previously use in Washington for any purpose and acquired for R&D activities devoted to experimental or laboratory research and development of new products, new uses of existing products, or improving or testing existing products.

This exemption applies to purchases made on or after July 1, 2024, and on or before December 31, 2044.

EFFECTIVE DATE:

The bill takes effect on July 1, 2024.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- Businesses spend approximately \$37 billion on R&D expenditures in Washington.
- Each calendar year, taxpayers use enough credit and make enough purchases to meet the \$10 million cap for the B&O tax credit and the \$10 million cap for the state retail sales tax exemption.
- Enough large businesses with qualifying R&D expenditures use the B&O tax credit to meet the \$10 million cap between July 1 and December 31, 2024, and again between January 1 and June 30, 2025, leading to a \$20 million impact in fiscal year 2025.
- Sales and use tax remittance applicants make enough purchases of qualified R&D equipment between July 1 and December 31, 2024, to meet the \$10 million cap for calendar year 2024 and applied for in January 2025.

DATA SOURCES:

- State Science & Technology Institute, "Useful Stats: Business R&D expenditures by state and source of funding, 2019."
- National Center for Science and Engineering Statistics, "Businesses Reported an 11.8% Increase to Nearly a Half Trillion Dollars for U.S. R&D Performance During 2019."
- U.S. Census Bureau, 2022 annual population estimate

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$30 million in fiscal year 2025, and by \$20 million in fiscal year 2026.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	(\$ 30,000)
FY 2026 -	(\$ 20,000)
FY 2027 -	(\$ 20,000)

FY 2028 - (\$ 20,000)

FY 2029 - (\$ 20,000)

Local Government, if applicable (cash basis, \$000): None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- This legislation will affect 12,000 taxpayers with R&D expenditures.
- A taxpayer claiming this new tax preference must file an annual tax performance report (RCW 82.32.808). Expenditures include the costs to implement the new tax preference.
- Expenditures assume that performance reports will be received by May 31 of the year following any calendar year in which a person becomes eligible to claim the tax preference, as set out in RCW 82.32.534.

FIRST YEAR COSTS:

The department will incur total costs of \$645,900 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 3.33 FTEs.

- Set up, program, and test computer system changes to create a new B&O tax credit for R&D expenditures.
- Create a new sales and use tax exemption for R&D equipment.
- Update the refund claims case for the new programs.
- Add new incentive reports for the new credit and exemption.
- Develop and maintain annual incentive report questions.
- Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals, and accountants.
- Create special notice and update relevant information on the department's website.
- Respond to tax ruling requests and email inquiries.
- Adopt one new administrative rule.

Object Costs - \$220,400.

- Contract computer system programming.
- Print and mail a special notice to taxpayer who do not file returns electronically.

SECOND YEAR COSTS:

The department will incur total costs of \$6,484,000 in fiscal year 2025. These costs include:

Labor Costs - Time and effort equate to 62.3 FTEs.

- Ongoing computer system maintenance and updates.
- Develop and maintain annual incentive report questions.
- Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals, and accountants.
- Update relevant information on the department's website.
- Respond to tax ruling requests and email inquiries.
- Monitor B&O credit claims and bill back those received after the program reaches the cap.
 - Process year end reconciliations of B&O credit claims and make manual adjustments where credit has been overclaimed.
- The department will receive and process the applications for the sales and use tax exemption remittance annually. The department will deny and return to the taxpayer any application received before or after the application window in January.

Request # 1794-1-1

- After the approval or denial process of all remittance applications, the department will calculate the ratable reduction to the cap amount and taxpayers will receive their remittance.

- Review annual tax incentive report submissions, work to verify submission accuracy, and compile statistics and reports. For those taxpayers who do not file a report or file an incomplete report, the department will bill back a portion of the incentive amount claimed.

- Routine audits will require additional time to review the new credit and exemption.

- The department will hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for the review of a disputed action by the department, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$11,941,200 and include similar activities described in the second-year costs. Time and effort equate to 62.2 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	3.3	62.3	32.8	62.2	61.5
A-Salaries and Wages	264,900	3,848,700	4,113,600	7,682,800	7,570,400
B-Employee Benefits	87,400	1,270,100	1,357,500	2,535,400	2,498,400
C-Professional Service Contracts	220,000		220,000		
E-Goods and Other Services	50,400	934,600	985,000	1,334,800	1,319,800
G-Travel		1,400	1,400	2,800	2,800
J-Capital Outlays	23,200	429,200	452,400	385,400	381,200
Total \$	\$645,900	\$6,484,000	\$7,129,900	\$11,941,200	\$11,772,600

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
ADM ASST 3	44,808		0.2	0.1	0.2	0.1
EMS BAND 4	126,619	0.0		0.0		
EMS BAND 5	147,919	0.0		0.0		
EXCISE TAX EX 2	55,872		27.5	13.8	27.5	27.5
EXCISE TAX EX 3	61,632		13.8	6.9	13.8	13.8
EXCISE TAX EX 4	68,076		13.8	6.9	13.8	13.8
FISCAL ANALYST 2	49,404		0.4	0.2	0.4	0.4
HUM RES CNSLT 1	51,888		1.0	0.5	1.0	1.0
HUM RES CNSLT 4	71,520		1.0	0.5	1.0	1.0
IT SYS ADM-JOURNEY	92,844	0.3		0.2		
MGMT ANALYST4	73,260	0.8	0.3	0.6	0.2	0.2
PROCUREMENT AND SUPPLY SP	50,592		0.2	0.1	0.2	0.2
REVENUE AUDITOR 2	61,632		0.2	0.1	0.2	0.2
REVENUE AUDITOR 3	68,076		0.2	0.1	0.2	0.2
TAX INFO SPEC 1	44,808	0.4	0.3	0.4	0.3	0.3
TAX POLICY SP 2	75,120	0.3	0.2	0.3	0.2	0.2
TAX POLICY SP 3	85,020	0.5	1.9	1.2	1.9	1.4
TAX POLICY SP 4	91,524	0.0	0.3	0.2	0.3	0.2
WMS BAND 2	94,669	1.0	1.0	1.0	1.0	1.0
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		3.3	62.3	32.9	62.2	61.5

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the department will use the standard process to adopt WAC 458-20-Rule, titled: "Research and development incentives." Persons affected by this rulemaking would include taxpayers with R&D expenditures that qualify for the new credits.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1794 HB

Title: Research and development

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities:
 Counties:
 Special Districts:
 Specific jurisdictions only:
 Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
 Expenditures represent one-time costs:
 Legislation provides local option:
 Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 03/02/2023
Leg. Committee Contact: Kristina King	Phone: 360-786-7190	Date: 02/15/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 03/02/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/02/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

Section 1 adds a new section to chapter 82.04 RCW [B&O Tax] to create a credit against tax otherwise due for qualified research and development expenditures. This section details: a credit rate calculation, a restriction from carrying over to the next year, a maximum amount of credits available and a corresponding first-come first-served rule, an annual tax performance report requirement, and a tax credit reporting period of July 1, 2024 – December 31, 2042.

Section 2 adds a new section to chapter 82.08 RCW [Retail Sales Tax] to create a retail sales tax exemption to be claimed in the form of a remittance for an eligible purchaser who has paid a retail sales tax on qualified research and development equipment. Remittance amounts, return application due date, total amount of funds available, description of “qualified research and development equipment,” ineligible equipment, and the period of the exemption are each described.

Section 3 adds a new section to chapter 82.12 RCW [Use Tax] to create a corresponding use tax exemption.

Section 4 adds a new section to outline the performance statement intended for evaluation of the tax preferences.

This bill takes effect July 1, 2024.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This bill will not impact local government expenditures.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This bill will not impact local government revenue.

SOURCES

Dept. of Revenue

Association of Washington Cities