

WASHINGTON STATE DEPARTMENT OF REVENUE

SPECIAL NOTICE

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 486-2345

Alternate Formats (360) 486-2342
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High Technology Business and Occupation Tax Credit Rate Change

This Special Notice is intended for businesses that are currently taking advantage of the High Technology Business and Occupation (B&O) Tax Credit. Effective July 1, 1998 the rates used to calculate the high technology business and occupation tax credit changed.

Engrossed House Bill 1821 (Chapter 7, Laws of 1997) amended RCW 82.04.4452(2) changing the rate to calculate this credit. On July 1, 1998 nonprofit corporations and nonprofit associations will calculate the credit by using the rate of .484 percent. All other businesses will calculate the credit by using the rate of 1.5 percent. The rates are equivalent to rates used to compute these businesses' B&O tax on the Combined Excise Tax Return, thus allowing an equal credit against the business and occupation tax for all qualifying research and development expenditures. These rates are now statutorily tied together, so in the future, if the business and occupation tax rates change, so will the rates used to calculate the high technology business and occupation tax credit.

Prior to July 1, 1998, nonprofit corporations and nonprofit associations, and all other businesses engaging in research and development multiplied their qualifying expenditures by the rate of .515 and 2.5 percent, respectively to calculate the credit.

The declaration form to claim the research and development credit is attached. You may also obtain the form on the Department's Internet web site at <http://dor.wa.gov> under the "Forms" hot button.

If you have questions about this rate change or the credit in general, please call the Telephone Information Center at 1-800-647-7706.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.





DECLARATION RESEARCH AND DEVELOPMENT CREDIT

(Authority: RCW 82.04.4452)

Revenue Tax Account No.: _____
 Name: _____
 Company Name: _____
 Address: _____
 City, State & Zip Code: _____
 Phone No.: _____ Fax No.: _____

For Reporting Period: _____
 This credit is being assigned to: _____
 This credit is assigned from: _____

Check the following box(es) indicating the type of research and development performed in the state of Washington.

- Advanced Computing Biotechnology Environmental Technology
 Advanced Materials Electronic Device Technology

Questions A, B, and C are annual estimates to determine if your firm meets the threshold of .92 percent of research and development expenditures.

A. Estimated Taxable Amount for current calendar year	\$
<i>Instructions: Include the gross amount required to be reported on the Combined Excise Tax Return, less any amounts for which a Multiple Activities Tax Credit is allowed.</i>	
B. Estimated Research and Development spending for current calendar year	\$
<i>Instructions: Include operating expenses, including wages and benefits (or compensation of a proprietor or a partner in lieu of wages), supplies, and computer expenses, directly incurred in qualified research and development. Do not include capital costs and overhead, such as expenses for land, structures, or depreciable property. (Qualified research and development means research and development conducted in this state in the areas of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.)</i>	
<i>Also include amounts paid to public educational or research institutions to conduct qualified research and development and 80 percent of amounts paid to any person other than a public educational or research institution to conduct qualified research and development on your behalf.</i>	
C. Divide line B by line A	_____
Line C must be greater than .92 percent (.0092) or no credit can be taken.	

Questions 1 through 6 are for this reporting period only and should be actual amounts to determine applicable credit for this reporting period, i.e., monthly, quarterly, or annual.

1. Qualified research and development expenditures in the state of Washington for this reporting period	\$
<i>Instructions: Same expenditure elements as line B, but for this reporting period only. Do not include amounts paid to any person other than a public educational or research institution to conduct qualified research and development on your behalf. If credit is assigned to you, use line 5 for the amount of credit assigned. If you perform qualified research and development for others under contract, you may use 80 percent of the amount received for the research and development activities you performed rather than actual expenditures.</i>	
2. Is your organization a nonprofit corporation or a nonprofit association?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. If the answer to line 2 is "Yes", then multiply line 1 by .484 percent (.00484).....	\$
4. If the answer to line 2 is "No", then multiply line 1 by 1.5 percent (.015).....	\$
5. Amount of assigned credit (attach additional forms as necessary)	\$
6. Carry-over or reduction of credit amounts from prior reporting periods within same calendar year	\$
7. Total credit for this reporting period (not to exceed the amount of B&O tax).....	\$

(Internal use
only)
830

Instructions: Add the amount shown on line 3 or 4 to the amounts shown on lines 5 and 6 and enter the total on line 7.

8. Total credit taken in previous periods this calendar year	\$
9. Cumulative credit including this period (line 7 plus line 8). (Total credits claimed during any calendar year may not exceed \$2,000,000 or the amount of B&O tax which would otherwise be due for the same calendar year.)	\$

All information provided is subject to future audit. Any falsification of this form may result in a 50% evasion penalty for the B&O taxes actually due for this period. I declare under penalty of perjury under the laws of the state of Washington that the foregoing is true and correct.

Signed: _____ Title: _____
 Date: _____ Place: _____

After completion, make a copy for your files, attach, & return original with your Combined Excise Tax Return.

QUALIFYING RESEARCH

Must be performed within the state of Washington

Research and development does not include adaptation or duplication of existing products where the products are not substantially improved by application of the technology. The term also does not include surveys and studies, social science and humanities research, market research or testing, quality control, sales promotion and service, computer software developed for internal use, and research in areas such as improved style, taste, and seasonal design.

ADVANCED COMPUTING

Technologies used in the designing and developing of computing hardware and software, including innovations in designing the full spectrum of hardware from hand-held calculators to super computers, and peripheral equipment.

ADVANCED MATERIALS

Materials with engineered properties created through the development of specialized processing and synthesis technology, including ceramics, high value-added metals, electronic materials, composites, polymers, and biomaterials. It applies specifically to the invention or creation of new advanced materials.

BIOTECHNOLOGY

The application of technologies, such as recombinant DNA techniques, biochemistry, molecular and cellular biology, genetics and genetic engineering, cell fusion techniques, and new bioprocesses, using living organisms, or parts of organisms, to produce or modify products, to improve plants or animals, to develop microorganisms for specific uses, to identify targets for small molecule pharmaceutical development, or to transform biological systems into useful processes and products or to develop microorganisms for specific uses.

ELECTRONIC DEVICE TECHNOLOGY

Technologies involving microelectronics; semiconductor; electronic equipment and instrumentation; radio frequency, microwave, and millimeter electronics; and optical and optic-electrical devices; and data and digital communications and imaging devices. "Electronics" includes devices which change electrical current's behavior to make it act as a signal representing sounds, pictures, numbers or other information, devices, circuits, or systems which include components such as electron tubes, amplifiers, transistors, or devices that do the work of electron tubes, any systems network whose operation involves the use of non-mechanical amplification or switching devices, such as tubes, transistors, thyristors, or integrated circuits, and any device that operates by means of electronic charge carriers.

ENVIRONMENTAL TECHNOLOGY

Products, processes, techniques, formulas, inventions or software used for the assessment and prevention of threats or reduction of damage or risk of damage to human health or the environment, environmental cleanup, the creation of more environmentally benign conditions, or the development of alternative energy sources. "Environmental cleanup" means a "remedy" or "remedial action" as defined in RCW 70.105D.010(11) (The Model Toxics Control Act) and WAC 173-340-200, (The Model Toxics Control Act Cleanup Regulation); and/or a "corrective action" as described in WAC 173-303-646, and 40 CFR 264-100 and 101 (as amended).

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users may call (800) 451-7985. You may also access tax information on our Internet home page at <http://dor.wa.gov>.