### Businesses Engaged in Scientific Research and Development

**Temporary B&O tax does not apply**

The temporary B&O tax increase under Second Engrossed Substitute Senate Bill (2ESSB) 6143, passed during the 2010 1st Special Session, does not apply to income normally reported under the service and other activities B&O tax classification by Scientific research and development companies.

The B&O tax rate for these activities remains at 1.5%.

**Increased small business B&O tax credit**

This bill also doubles the small business B&O tax credit for qualifying businesses that report under certain service B&O tax classifications.

This increase in the small business tax credit applies to scientific research and development companies. This change in credit is permanent and takes effect May 1, 2010.

**How do I report these changes on my return?**

When completing the Excise Tax Return, scientific research and development (scientific R&D) income should now be reported under the following B&O tax classifications:

For Profit Hospitals; Scientific R&D   Line code 135 Rate .015

The small business credit is reported under “credits” section VI of the tax return. With the May 2010 Excise Tax Return you will receive a worksheet to assist you in calculating the small business tax credit. Keep a copy of the credit table/worksheet in your records for future use. The small business tax credit is automatically calculated for e-filers. Information on filing your return electronically is available on the Department’s website at [http://dor.wa.gov](http://dor.wa.gov).

**Active non-reporting threshold increases**

Businesses eligible for the increased B&O tax credit, as explained above, are also eligible for an increased threshold for being placed on the active non-reporting (ANR) status. Such businesses can be placed on ANR status if their taxable income is less than $46,667 per year and if they are not required to collect sales tax or owe any other tax to the Department. Other businesses have a threshold of $28,000 to be eligible for ANR status.

**For more information**

Send an email to communications@dor.wa.gov or contact the Department’s Telephone Information Center at 1-800-647-7706.