



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

MAY 13, 2010

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>.

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.

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