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**SUBSTITUTE HOUSE BILL 1943**

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**State of Washington                      62nd Legislature                      2011 Regular Session**

**By** House Community Development & Housing (originally sponsored by Representatives Smith, Clibborn, Kenney, and Sells)

READ FIRST TIME 02/17/11.

1            AN ACT Relating to exempting certain manufacturing research and  
2 development activities from business and occupation taxation; adding a  
3 new section to chapter 82.04 RCW; and providing an effective date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            NEW SECTION.    **Sec. 1.** A new section is added to chapter 82.04 RCW  
6 to read as follows:

7            (1)(a) This chapter does not apply to the value of products  
8 manufactured pursuant to a licensing agreement entered into on or after  
9 July 1, 2011, but before July 1, 2015, with the University of  
10 Washington or Washington State University when such products are the  
11 result of research and development activities conducted by either  
12 university or both. This exemption only applies during the first five  
13 years of production of the product.

14            (b) A person claiming an exemption under this section must keep and  
15 maintain records for the period required by RCW 82.32.070 establishing  
16 his or her right to the exemption. In addition, the person claiming  
17 the exemption must file a complete annual survey with the department  
18 under RCW 82.32.585.

1           (2) Beginning in 2014, the department, in consultation with the  
2 University of Washington and Washington State University, as  
3 applicable, must review the tax exemption program created under this  
4 section and report its findings to the governor and the appropriate  
5 committees of the legislature. The report is required by December 1st  
6 of the year following any year in which one or more persons claim tax  
7 exemptions under this section. The report must include the amount of  
8 the tax revenue forgone, the number of businesses claiming the  
9 exemption, the number of employment positions created by these  
10 businesses, the number of new products or research projects, and the  
11 number of trademarks, patents, and copyrights associated with the  
12 products manufactured under the applicable licensing agreement.

13           (3) For the purposes of this section, "research and development"  
14 has the same meaning as provided in RCW 82.63.010.

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