
HOUSE BILL 2049

State of Washington 63rd Legislature 2013 Regular Session

By Representatives Seaquist, Pollet, Ryu, Tarleton, Moscoso, and Wylie

Read first time 04/18/13. Referred to Committee on Finance.

1 AN ACT Relating to creating the new economy scholars fund; amending
2 RCW 82.04.4452 and 82.63.030; reenacting and amending RCW 43.79A.040;
3 adding a new section to chapter 28B.77 RCW; and adding a new section to
4 chapter 82.32 RCW.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 28B.77 RCW
7 to read as follows:

8 (1) The new economy scholars fund is established in section 4 of
9 this act with the purpose of expanding high employer demand programs of
10 study at institutions of higher education to meet the needs of the new
11 economy. The fund shall be administered by the council.

12 (2) The council's administration duties include the following:

13 (a) Recommend to the higher education and appropriation committees
14 of the legislature the number of additional enrollments needed for each
15 high employer demand program of study at each level of higher education
16 based on the most recent assessment of the number and type of higher
17 education and training credentials required to match employer demand
18 for a skilled and educated workforce as in RCW 28B.77.080. The
19 legislature may base new economy fund allocations to the four-year

1 institutions of higher education on these recommendations. The council
2 must include these recommendations in their short-term strategic action
3 plan;

4 (b) Identify the appropriate course codes that qualify for
5 allocations from the new economy scholars fund;

6 (c) Enter into an interagency agreement with the state board for
7 community and technical colleges who shall manage new economy scholars
8 fund allocations through a solicitation of competitive requests for
9 proposals from the community and technical colleges; and

10 (d) By December 1, 2015, and every two years thereafter, and in
11 compliance with RCW 43.01.036, the council must submit a report to the
12 governor and the higher education and appropriation committees of the
13 legislature that details expansion in high employer demand programs of
14 study resulting from the new economy scholars fund.

15 (3) The state board for community and technical colleges and the
16 four-year institutions of higher education receiving an allocation from
17 the new economy scholars fund shall establish program baselines and
18 demonstrate enrollment increases in high employer demand programs of
19 study for which they receive funds and provide this data to the council
20 for inclusion in the report in subsection (2)(d) of this section.

21 (4) For the purposes of the new economy scholars fund, "high
22 employer demand program of study" means an undergraduate or graduate
23 certificate or degree program in which the number of students prepared
24 for employment per year from in-state institutions is substantially
25 less than the number of projected job openings per year in that field,
26 statewide, or in a substate region.

27 **Sec. 2.** RCW 82.04.4452 and 2010 c 114 s 114 are each amended to
28 read as follows:

29 (1) In computing the tax imposed under this chapter, a credit is
30 allowed for each person whose research and development spending during
31 the year in which the credit is claimed exceeds 0.92 percent of the
32 person's taxable amount during the same calendar year.

33 (2)(a) The credit is calculated as follows:

34 ((+a)) (i) Determine the greater of the amount of qualified
35 research and development expenditures of a person or eighty percent of
36 amounts received by a person other than a public educational or

1 research institution in compensation for the conduct of qualified
2 research and development;

3 ~~((b))~~ (ii) Subtract 0.92 percent of the person's taxable amount
4 from the amount determined under (a)(i) of this subsection;

5 ~~((c))~~ (iii) Multiply the amount determined under ~~((b))~~ (a)(ii)
6 of this subsection by ~~(the following:~~

7 ~~(i) For the period June 10, 2004, through December 31, 2006, the~~
8 ~~person's average tax rate for the calendar year for which the credit is~~
9 ~~claimed;~~

10 ~~(ii) For the calendar year ending December 31, 2007, the greater of~~
11 ~~the person's average tax rate for that calendar year or 0.75 percent;~~

12 ~~(iii) For the calendar year ending December 31, 2008, the greater~~
13 ~~of the person's average tax rate for that calendar year or 1.0 percent;~~

14 ~~(iv) For the calendar year ending December 31, 2009, the greater of~~
15 ~~the person's average tax rate for that calendar year or 1.25 percent;~~

16 ~~(v) For the calendar year ending December 31, 2010, and~~
17 ~~thereafter,)) 1.50 percent.~~

18 (b) For purposes of calculating the credit, if a person's reporting
19 period is less than annual, the person may use an estimated average tax
20 rate for the calendar year for which the credit is claimed by using the
21 person's average tax rate for each reporting period. A person who uses
22 an estimated average tax rate must make an adjustment to the total
23 credit claimed for the calendar year using the person's actual average
24 tax rate for the calendar year when the person files its last return
25 for the calendar year for which the credit is claimed.

26 (3) Any person entitled to the credit provided in subsection (2) of
27 this section as a result of qualified research and development
28 conducted under contract may assign all or any portion of the credit to
29 the person contracting for the performance of the qualified research
30 and development.

31 (4) The credit, including any credit assigned to a person under
32 subsection (3) of this section, must be claimed against taxes due for
33 the same calendar year in which the qualified research and development
34 expenditures are incurred. The credit, including any credit assigned
35 to a person under subsection (3) of this section, for each calendar
36 year may not exceed the lesser of two million dollars or the amount of
37 tax otherwise due under this chapter for the calendar year.

1 (5) For any person claiming the credit, including any credit
2 assigned to a person under subsection (3) of this section, whose
3 research and development spending during the calendar year in which the
4 credit is claimed fails to exceed 0.92 percent of the person's taxable
5 amount during the same calendar year or who is otherwise ineligible,
6 the department must declare the taxes against which the credit was
7 claimed to be immediately due and payable. The department must assess
8 interest, but not penalties, on the taxes against which the credit was
9 claimed. Interest must be assessed at the rate provided for delinquent
10 excise taxes under chapter 82.32 RCW, retroactively to the date the
11 credit was claimed, and accrues until the taxes against which the
12 credit was claimed are repaid. Any credit assigned to a person under
13 subsection (3) of this section that is disallowed as a result of this
14 section may be claimed by the person who performed the qualified
15 research and development subject to the limitations set forth in
16 subsection (4) of this section.

17 (6) A person may not claim a credit under this section if the
18 person reported an annual gross amount of ten million dollars or more
19 in the prior calendar year. Taxpayers disallowed from claiming the
20 credit under this subsection are not required to refund any credit
21 claimed in calendar year 2013 prior to the effective date of this
22 section.

23 (7) A person claiming the credit provided in this section must file
24 a complete annual survey with the department under RCW 82.32.585.

25 ~~((7) For the purpose of this section:)~~ The definitions in this
26 subsection apply throughout this section unless the context clearly
27 requires otherwise.

28 (8)(a) "Average tax rate" means a person's total tax liability
29 under this chapter for the calendar year for which the credit is
30 claimed divided by the taxpayer's total taxable amount under this
31 chapter for the calendar year for which the credit is claimed.

32 (b) "Qualified research and development expenditures" means
33 operating expenses, including wages, compensation of a proprietor or a
34 partner in a partnership as determined under rules adopted by the
35 department, benefits, supplies, and computer expenses, directly
36 incurred in qualified research and development by a person claiming the
37 credit provided in this section. The term does not include amounts
38 paid to a person other than a public educational or research

1 institution to conduct qualified research and development. Nor does
2 the term include capital costs and overhead, such as expenses for land,
3 structures, or depreciable property.

4 (c) "Qualified research and development" (~~shall have~~) has the
5 same meaning as provided in RCW 82.63.010.

6 (d) "Research and development spending" means qualified research
7 and development expenditures plus eighty percent of amounts paid to a
8 person other than a public educational or research institution to
9 conduct qualified research and development.

10 (e) "Taxable amount" means the taxable amount subject to the tax
11 imposed in this chapter required to be reported on the person's
12 combined excise tax returns for the calendar year for which the credit
13 is claimed, less any taxable amount for which a credit is allowed under
14 RCW 82.04.440.

15 (~~(+8)~~) (9) This section expires January 1, 2015.

16 **Sec. 3.** RCW 82.63.030 and 2008 c 15 s 4 are each amended to read
17 as follows:

18 (1) Except as provided in subsection (2) of this section, the
19 department shall issue a sales and use tax deferral certificate for
20 state and local sales and use taxes due under chapters 82.08, 82.12,
21 and 82.14 RCW on each eligible investment project.

22 (2) No certificate may be issued for an investment project that has
23 already received a deferral under chapter 82.60 RCW or this chapter,
24 except that an investment project for qualified research and
25 development that has already received a deferral may also receive an
26 additional deferral certificate for adapting the investment project for
27 use in pilot scale manufacturing.

28 (3) (~~This section shall expire January 1, 2015.~~) The department
29 may not issue a certificate under this section on or after July 1,
30 2013.

31 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.32 RCW
32 to read as follows:

33 (1) By August 31, 2014, the department must estimate the increase
34 in state revenue resulting from the termination of the research and
35 development tax credit or deferral in RCW 82.04.4452 and 82.63.030 for

1 the prior fiscal year and certify the estimated amount to the state
2 treasurer.

3 (2) By September 30, 2014, and by September 30th of every year
4 thereafter, the state treasurer must transfer the amount certified by
5 the department under subsection (1) of this section from the state
6 general fund into the new economy scholars account.

7 (3) The new economy scholars account is created in the custody of
8 the state treasurer. Money in the account must be used solely for the
9 purposes specified in section 1 of this act with fifty percent of the
10 moneys solely for two-year institutions of higher education and fifty
11 percent of the moneys solely for the four-year institutions of higher
12 education. Only the director of the council or the director's designee
13 may authorize expenditures from the account. The account is subject to
14 allotment procedures under chapter 43.88 RCW, but an appropriation is
15 not required for expenditures. The account may retain all of the
16 interest earnings.

17 **Sec. 5.** RCW 43.79A.040 and 2012 c 198 s 8, 2012 c 196 s 6, 2012 c
18 187 s 13, and 2012 c 114 s 3 are each reenacted and amended to read as
19 follows:

20 (1) Money in the treasurer's trust fund may be deposited, invested,
21 and reinvested by the state treasurer in accordance with RCW 43.84.080
22 in the same manner and to the same extent as if the money were in the
23 state treasury, and may be commingled with moneys in the state treasury
24 for cash management and cash balance purposes.

25 (2) All income received from investment of the treasurer's trust
26 fund must be set aside in an account in the treasury trust fund to be
27 known as the investment income account.

28 (3) The investment income account may be utilized for the payment
29 of purchased banking services on behalf of treasurer's trust funds
30 including, but not limited to, depository, safekeeping, and
31 disbursement functions for the state treasurer or affected state
32 agencies. The investment income account is subject in all respects to
33 chapter 43.88 RCW, but no appropriation is required for payments to
34 financial institutions. Payments must occur prior to distribution of
35 earnings set forth in subsection (4) of this section.

36 (4)(a) Monthly, the state treasurer must distribute the earnings

1 credited to the investment income account to the state general fund
2 except under (b), (c), and (d) of this subsection.

3 (b) The following accounts and funds must receive their
4 proportionate share of earnings based upon each account's or fund's
5 average daily balance for the period: The Washington promise
6 scholarship account, the Washington advanced college tuition payment
7 program account, the accessible communities account, the community and
8 technical college innovation account, the agricultural local fund, the
9 American Indian scholarship endowment fund, the foster care scholarship
10 endowment fund, the foster care endowed scholarship trust fund, the
11 basic health plan self-insurance reserve account, the contract
12 harvesting revolving account, the Washington state combined fund drive
13 account, the commemorative works account, the county enhanced 911
14 excise tax account, the toll collection account, the developmental
15 disabilities endowment trust fund, the energy account, the fair fund,
16 the family leave insurance account, the food animal veterinarianian
17 conditional scholarship account, the fruit and vegetable inspection
18 account, the future teachers conditional scholarship account, the game
19 farm alternative account, the GET ready for math and science
20 scholarship account, the Washington global health technologies and
21 product development account, the grain inspection revolving fund, the
22 industrial insurance rainy day fund, the juvenile accountability
23 incentive account, the law enforcement officers' and firefighters' plan
24 2 expense fund, the local tourism promotion account, the new economy
25 scholars account, the multiagency permitting team account, the pilotage
26 account, the produce railcar pool account, the regional transportation
27 investment district account, the rural rehabilitation account, the
28 stadium and exhibition center account, the youth athletic facility
29 account, the self-insurance revolving fund, the children's trust fund,
30 the Washington horse racing commission Washington bred owners' bonus
31 fund and breeder awards account, the Washington horse racing commission
32 class C purse fund account, the individual development account program
33 account, the Washington horse racing commission operating account
34 (earnings from the Washington horse racing commission operating account
35 must be credited to the Washington horse racing commission class C
36 purse fund account), the life sciences discovery fund, the Washington
37 state heritage center account, ((and)) the reduced cigarette ignition
38 propensity account, the center for childhood deafness and hearing loss

1 account, ((and)) the school for the blind account, the Millersylvania
2 park trust fund, the public employees' and retirees' insurance reserve
3 fund, and the radiation perpetual maintenance fund.

4 (c) The following accounts and funds must receive eighty percent of
5 their proportionate share of earnings based upon each account's or
6 fund's average daily balance for the period: The advanced right-of-way
7 revolving fund, the advanced environmental mitigation revolving
8 account, the federal narcotics asset forfeitures account, the high
9 occupancy vehicle account, the local rail service assistance account,
10 and the miscellaneous transportation programs account.

11 (d) Any state agency that has independent authority over accounts
12 or funds not statutorily required to be held in the custody of the
13 state treasurer that deposits funds into a fund or account in the
14 custody of the state treasurer pursuant to an agreement with the office
15 of the state treasurer shall receive its proportionate share of
16 earnings based upon each account's or fund's average daily balance for
17 the period.

18 (5) In conformance with Article II, section 37 of the state
19 Constitution, no trust accounts or funds shall be allocated earnings
20 without the specific affirmative directive of this section.

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