
ENGROSSED SUBSTITUTE SENATE BILL 6239

State of Washington

58th Legislature

2004 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Zarelli, Benton, Carlson, Hale, McAuliffe, Prentice, Rasmussen, Murray, Haugen and Poulsen; by request of Governor Locke)

READ FIRST TIME 01/23/04.

1 AN ACT Relating to high technology and research and development tax
2 incentives; amending RCW 82.04.4452, 82.63.010, 82.63.020, 82.63.030,
3 82.63.045, 82.63.070, and 82.04.190; adding new sections to chapter
4 82.04 RCW; creating a new section; providing an effective date; and
5 providing expiration dates.

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

7 NEW SECTION. **Sec. 1.** The legislature finds that recruiting and
8 retaining high technology companies is a critical component of creating
9 a strong economy for Washington's future. This strong economy is vital
10 to provide the public and private resources to support a diverse array
11 of essential government and social services. The legislature also
12 finds that numerous states and countries are using an extensive series
13 of economic incentives to compete for these same high technology
14 companies and the high-wage direct and indirect jobs they create.

15 The legislature also finds that high technology companies of all
16 sizes must continue to invest in research and development to discover
17 new ideas that lead to new products and processes that significantly
18 improve the quality of life of all citizens of Washington state. The
19 legislature finds that the business and occupations tax credit is

1 intended to promote investment in initial research and development by
2 high technology companies to explore new ideas. The legislature
3 further finds that the sales tax deferral and exemption is intended to
4 promote investment in the capital facilities that house the people and
5 equipment necessary to further evaluation of these new ideas.

6 The legislature finds that the business and occupation tax credit
7 for investment in research and development and a sales tax deferral and
8 exemption for investment in capital facilities to conduct research and
9 development are designed to work together to encourage new ideas and
10 transform them into products and processes. Therefore, the legislature
11 directs that these incentives shall be evaluated together to determine
12 their joint ability to create direct, indirect, and induced economic
13 benefits for the people of the state of Washington.

14 **Sec. 2.** RCW 82.04.4452 and 2000 c 103 s 7 are each amended to read
15 as follows:

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

20 (2) The credit is equal to the greater of the amount of qualified
21 research and development expenditures of a person or eighty percent of
22 amounts received by a person other than a public educational or
23 research institution in compensation for the conduct of qualified
24 research and development, multiplied by the rate provided in RCW
25 82.04.260(3) in the case of a nonprofit corporation or nonprofit
26 association engaging within this state in research and development, and
27 the ~~((rate provided in RCW 82.04.290(2)))~~ person's average tax rate for
28 every other person.

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

34 (4) The credit, including any credit assigned to a person under
35 subsection (3) of this section, shall be taken against taxes due for
36 the same calendar year in which the qualified research and development
37 expenditures are incurred. The credit, including any credit assigned

1 to a person under subsection (3) of this section, for each calendar
2 year shall not exceed the lesser of two million dollars or the amount
3 of tax otherwise due under this chapter for the calendar year.

4 (5) Any person taking the credit, including any credit assigned to
5 a person under subsection (3) of this section, whose research and
6 development spending during the calendar year in which the credit is
7 claimed fails to exceed 0.92 percent of the person's taxable amount
8 during the same calendar year shall be liable for payment of the
9 additional taxes represented by the amount of credit taken together
10 with interest, but not penalties. Interest shall be due at the rate
11 provided for delinquent excise taxes retroactively to the date the
12 credit was taken until the taxes are paid. Any credit assigned to a
13 person under subsection (3) of this section that is disallowed as a
14 result of this section may be taken by the person who performed the
15 qualified research and development subject to the limitations set forth
16 in subsection (4) of this section.

17 (6) Any person claiming the credit, and any person assigning a
18 credit as provided in subsection (3) of this section, shall file an
19 affidavit form prescribed by the department which shall include the
20 amount of the credit claimed, ~~((an estimate of))~~ the ~~((anticipated))~~
21 qualified research and development expenditures during the calendar
22 year for which the credit is claimed, ~~((an estimate of))~~ and the
23 taxable amount during the calendar year for which the credit is
24 claimed, and such additional information as the department may
25 prescribe. The report is due by March 31st following any year a credit
26 is taken.

27 (7)(a) A person claiming the credit shall agree to supply the
28 department with information ~~((necessary to measure the results of the~~
29 ~~tax credit program for qualified research and development~~
30 ~~expenditures))~~ on research and development spending, and product
31 development, which may be measured by a proxy such as research
32 projects, copyrights, trademarks, or patents issued. The survey
33 information is deemed tax information under RCW 82.32.330.

34 (b) If a person fails to provide the information required under
35 this subsection by the due date, the person entitled to the credit
36 provided in subsection (2) of this section is not eligible to take or
37 assign the credit provided in subsection (2) of this section in the
38 year the person failed to complete the survey.

1 (8) The (~~department~~) joint legislative audit and review committee
2 shall use the information (~~required under~~) from subsection (7) of
3 this section and from other state agency sources to (~~perform three~~
4 ~~assessments on~~) study the tax credit program authorized under this
5 section. (~~The assessments will take place in 1997, 2000, and 2003.~~
6 ~~The department shall prepare reports on each assessment and deliver~~
7 ~~their reports by September 1, 1997, September 1, 2000, and September 1,~~
8 ~~2003. The assessments~~) The committee shall report to the legislature
9 by December 1, 2013. The study shall measure the effect of the program
10 on (~~job creation, the number of jobs created for Washington~~
11 ~~residents,~~) company growth, the introduction of new products as
12 measured by copyrights, trademarks, and overall patent issuance, the
13 diversification of the state's economy, growth in research and
14 development investment, and the movement of firms or the consolidation
15 of firms' operations into the state(~~, and such other factors as the~~
16 ~~department selects~~). In conducting this evaluation, the committee
17 shall:

18 (a) Use a generally accepted econometric model and contract with
19 outside experts; and

20 (b) Evaluate the direct, indirect, and induced impacts of this
21 program together with the program authorized under RCW 82.63.020.

22 (9) For the purpose of this section:

23 (a) "Average tax rate" means a person's total tax under this
24 chapter for the reporting period divided by the taxpayer's total
25 taxable income under this chapter for the reporting period.

26 (b) "Qualified research and development expenditures" means
27 operating expenses, including wages, compensation of a proprietor or a
28 partner in a partnership as determined under rules adopted by the
29 department, benefits, supplies, and computer expenses, directly
30 incurred in qualified research and development by a person claiming the
31 credit provided in this section. The term does not include amounts
32 paid to a person other than a public educational or research
33 institution to conduct qualified research and development. Nor does
34 the term include capital costs and overhead, such as expenses for land,
35 structures, or depreciable property.

36 (~~(b)~~) (c) "Qualified research and development" shall have the
37 same meaning as in RCW 82.63.010.

1 (~~(e)~~) (d) "Research and development spending" means qualified
2 research and development expenditures plus eighty percent of amounts
3 paid to a person other than a public educational or research
4 institution to conduct qualified research and development.

5 (~~(d)~~) (e) "Taxable amount" means the taxable amount subject to
6 the tax imposed in this chapter required to be reported on the person's
7 combined excise tax returns during the year in which the credit is
8 claimed, less any taxable amount for which a credit is allowed under
9 RCW 82.04.440.

10 (10) This section expires (~~(December 31, 2004)~~) January 1, 2015.

11 **Sec. 3.** RCW 82.63.010 and 1995 1st sp.s. c 3 s 12 are each amended
12 to read as follows:

13 Unless the context clearly requires otherwise, the definitions in
14 this section apply throughout this chapter.

15 (1) "Advanced computing" means technologies used in the designing
16 and developing of computing hardware and software, including
17 innovations in designing the full spectrum of hardware from hand-held
18 calculators to super computers, and peripheral equipment.

19 (2) "Advanced materials" means materials with engineered properties
20 created through the development of specialized processing and synthesis
21 technology, including ceramics, high value-added metals, electronic
22 materials, composites, polymers, and biomaterials.

23 (3) "Applicant" means a person applying for a tax deferral under
24 this chapter.

25 (4) "Biotechnology" means the application of technologies, such as
26 recombinant DNA techniques, biochemistry, molecular and cellular
27 biology, genetics and genetic engineering, cell fusion techniques, and
28 new bioprocesses, using living organisms, or parts of organisms, to
29 produce or modify products, to improve plants or animals, to develop
30 microorganisms for specific uses, to identify targets for small
31 molecule pharmaceutical development, or to transform biological systems
32 into useful processes and products or to develop microorganisms for
33 specific uses.

34 (5) "Department" means the department of revenue.

35 (6) "Electronic device technology" means technologies involving
36 microelectronics; semiconductors; electronic equipment and

1 instrumentation; radio frequency, microwave, and millimeter
2 electronics; optical and optic-electrical devices; and data and digital
3 communications and imaging devices.

4 (7) "Eligible investment project" means an investment project which
5 either initiates a new operation, or expands or diversifies a current
6 operation by expanding, renovating, or equipping an existing facility.
7 The lessor or owner of the qualified building is not eligible for a
8 deferral unless (a) the underlying ownership of the buildings,
9 machinery, and equipment vests exclusively in the same person~~((, or~~
10 ~~unless)); or (b)(i) the lessor by written contract agrees to pass the~~
11 economic benefit of the deferral to the lessee in the form of reduced
12 rent payments, and (ii) the lessee that receives the economic benefit
13 of the deferral agrees in writing with the department to complete the
14 annual survey required under RCW 82.63.020(2). The economic benefit of
15 the deferral to the lessee may be evidenced by any type of payment,
16 credit, or any other financial arrangement between the lessor or owner
17 of the qualified building and the lessee.

18 (8) "Environmental technology" means assessment and prevention of
19 threats or damage to human health or the environment, environmental
20 cleanup, and the development of alternative energy sources.

21 (9) "Investment project" means an investment in qualified buildings
22 or qualified machinery and equipment, including labor and services
23 rendered in the planning, installation, and construction or improvement
24 of the project.

25 (10) "Person" has the meaning given in RCW 82.04.030 and includes
26 state universities as defined in RCW 28B.10.016.

27 (11) "Pilot scale manufacturing" means design, construction, and
28 testing of preproduction prototypes and models in the fields of
29 biotechnology, advanced computing, electronic device technology,
30 advanced materials, and environmental technology other than for
31 commercial sale. As used in this subsection, "commercial sale"
32 excludes sales of prototypes or sales for market testing if the total
33 gross receipts from such sales of the product, service, or process do
34 not exceed one million dollars.

35 (12) "Qualified buildings" means construction of new structures,
36 and expansion or renovation of existing structures for the purpose of
37 increasing floor space or production capacity used for pilot scale
38 manufacturing or qualified research and development, including plant

1 offices and other facilities that are an essential or an integral part
2 of a structure used for pilot scale manufacturing or qualified research
3 and development. If a building is used partly for pilot scale
4 manufacturing or qualified research and development, and partly for
5 other purposes, the applicable tax deferral shall be determined by
6 apportionment of the costs of construction under rules adopted by the
7 department.

8 (13) "Qualified machinery and equipment" means fixtures, equipment,
9 and support facilities that are an integral and necessary part of a
10 pilot scale manufacturing or qualified research and development
11 operation. "Qualified machinery and equipment" includes: Computers;
12 software; data processing equipment; laboratory equipment,
13 instrumentation, and other devices used in a process of experimentation
14 to develop a new or improved pilot model, plant process, product,
15 formula, invention, or similar property; manufacturing components such
16 as belts, pulleys, shafts, and moving parts; molds, tools, and dies;
17 vats, tanks, and fermenters; operating structures; and all other
18 equipment used to control, monitor, or operate the machinery. For
19 purposes of this chapter, qualified machinery and equipment must be
20 either new to the taxing jurisdiction of the state or new to the
21 certificate holder, except that used machinery and equipment may be
22 treated as qualified machinery and equipment if the certificate holder
23 either brings the machinery and equipment into Washington or makes a
24 retail purchase of the machinery and equipment in Washington or
25 elsewhere.

26 (14) "Qualified research and development" means research and
27 development performed within this state in the fields of advanced
28 computing, advanced materials, biotechnology, electronic device
29 technology, and environmental technology.

30 (15) "Recipient" means a person receiving the economic benefit of
31 a tax deferral under this chapter. If the economic benefit of the tax
32 deferral is passed to a lessee as provided under subsection (7) of this
33 section, then the lessee shall be the recipient.

34 (16) "Research and development" means activities performed to
35 discover technological information, and technical and nonroutine
36 activities concerned with translating technological information into
37 new or improved products, processes, techniques, formulas, inventions,
38 or software. The term includes exploration of a new use for an

1 existing drug, device, or biological product if the new use requires
2 separate licensing by the federal food and drug administration under
3 chapter 21, C.F.R., as amended. The term does not include adaptation
4 or duplication of existing products where the products are not
5 substantially improved by application of the technology, nor does the
6 term include surveys and studies, social science and humanities
7 research, market research or testing, quality control, sale promotion
8 and service, computer software developed for internal use, and research
9 in areas such as improved style, taste, and seasonal design.

10 (17) "Initiation of construction" means the date that a building
11 permit is issued for (a) the construction of the qualified building, in
12 the event the underlying ownership of the building vests exclusively
13 with the person receiving the economic benefit of the deferral, or (b)
14 tenant improvements for a qualified building, in the event the economic
15 benefits of the deferral are passed through to a lessee as provided in
16 subsection (7) of this section. The initiation of construction does
17 not include soil testing, site clearing and grading, site preparation,
18 or any other related activities that are initiated prior to the
19 issuance of a building permit for the construction of the foundation of
20 the building. If the investment project is a phased project, the term
21 initiation of construction shall apply separately to each phase.

22 **Sec. 4.** RCW 82.63.020 and 1994 sp.s. c 5 s 4 are each amended to
23 read as follows:

24 (1) Application for deferral of taxes under this chapter must be
25 made before initiation of construction of, or acquisition of equipment
26 or machinery for the investment project. The application shall be made
27 to the department in a form and manner prescribed by the department.
28 The application shall contain information regarding the location of the
29 investment project, the applicant's average employment in the state for
30 the prior year, estimated or actual new employment related to the
31 project, estimated or actual wages of employees related to the project,
32 estimated or actual costs, time schedules for completion and operation,
33 and other information required by the department. The department shall
34 rule on the application within sixty days.

35 (2) Applicants for deferral of taxes under this chapter shall agree
36 to ((supply)) complete an annual survey, supplying the department with
37 nonproprietary information necessary to measure the results of the tax

1 deferral program for high-technology research and development and pilot
2 scale manufacturing facilities. The survey may include questions
3 pertaining to job creation, job retention, the number of full-time
4 equivalent positions created, overall industry wage levels, company
5 growth, introduction of new products, growth in research and
6 development investment, and movement of firms or the consolidation of
7 firms' operations into the state. The information is due by March 31st
8 the year following the calendar year in which the applicant applied for
9 the deferral and for the eight years after the investment project is
10 certified by the department as having been operationally complete. The
11 survey information is deemed tax information under RCW 82.32.330.

12 (3) The ((department)) joint legislative audit and review committee
13 shall use the information and information available from state agency
14 sources to ((perform three assessments on)) study the tax deferral
15 program authorized under this chapter. ((The assessments will take
16 place in 1997, 2000, and 2003.)) The ((department)) committee shall
17 ((prepare reports on each assessment and deliver their reports by
18 September 1, 1997, September 1, 2000, and September 1, 2003)) report to
19 the legislature by December 1, 2013. The ((assessments)) report shall
20 measure the effect of the program on job creation, the number of jobs
21 created ((for Washington residents)), company growth, the introduction
22 of new products as measured by trademarks, copyrights, or overall
23 patent issuance, the diversification of the state's economy, growth in
24 research and development investment, and the movement of firms or the
25 consolidation of firms' operations into the state((, and such other
26 factors as the department selects)). In conducting this evaluation,
27 the committee shall:

28 (a) Use a generally accepted econometric model and contract with
29 outside experts; and

30 (b) Evaluate the direct, indirect, and induced impacts of this
31 program together with the program authorized under RCW 82.63.020.

32 **Sec. 5.** RCW 82.63.030 and 1994 sp.s. c 5 s 5 are each amended to
33 read as follows:

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

1 (2) No certificate may be issued for an investment project that has
2 already received a deferral under chapter 82.60 or 82.61 RCW or this
3 chapter, except that an investment project for qualified research and
4 development that has already received a deferral may also receive an
5 additional deferral certificate for adapting the investment project for
6 use in pilot scale manufacturing.

7 (3) This section shall expire ((July)) January 1, ((2004)) 2015.

8 **Sec. 6.** RCW 82.63.045 and 2000 c 106 s 10 are each amended to read
9 as follows:

10 (1) Except as provided in subsection (2) of this section, taxes
11 deferred under this chapter need not be repaid.

12 (2)(a) If, on the basis of ((a report)) survey under RCW 82.63.020
13 or other information, the department finds that an investment project
14 is used for purposes other than qualified research and development or
15 pilot scale manufacturing at any time during the calendar year in which
16 the investment project is certified by the department as having been
17 operationally completed, or at any time during any of the seven
18 succeeding calendar years, a portion of deferred taxes shall be
19 immediately due according to the following schedule:

Year in which use occurs	% of deferred taxes due
1	100%
2	87.5%
3	75%
4	62.5%
5	50%
6	37.5%
7	25%
8	12.5%

29 (b) If a recipient of the deferral fails to file the annual survey
30 required under RCW 82.63.020 by the date due, 12.5 percent of the
31 deferred tax shall be immediately due from the recipient.

32 (c) If an investment project is used for purposes other than
33 qualified research and development or pilot scale manufacturing at any
34 time during the calendar year in which the investment project is
35 certified as having been operationally complete or the recipient of the

1 deferral fails to complete the annual survey due under RCW 82.63.020,
2 the portion of deferred taxes immediately due is the amount on the
3 schedule in (a) of this subsection.

4 (3) The department shall assess interest at the rate provided for
5 delinquent taxes, but not penalties, retroactively to the date of
6 deferral. The debt for deferred taxes will not be extinguished by
7 insolvency or other failure of the recipient. Transfer of ownership
8 does not terminate the deferral. The deferral is transferred, subject
9 to the successor meeting the eligibility requirements of this chapter,
10 for the remaining periods of the deferral.

11 ~~((3))~~ (4) Notwithstanding subsection (2) of this section,
12 deferred taxes on the following need not be repaid:

13 (a) Machinery and equipment, and sales of or charges made for labor
14 and services, which at the time of purchase would have qualified for
15 exemption under RCW 82.08.02565; and

16 (b) Machinery and equipment which at the time of first use would
17 have qualified for exemption under RCW 82.12.02565.

18 **Sec. 7.** RCW 82.63.070 and 1994 sp.s. c 5 s 9 are each amended to
19 read as follows:

20 Applications ~~((and other information))~~ received by the department
21 under this chapter are not confidential and are subject to disclosure.

22 **Sec. 8.** RCW 82.04.190 and 2002 c 367 s 2 are each amended to read
23 as follows:

24 "Consumer" means the following:

25 (1) Any person who purchases, acquires, owns, holds, or uses any
26 article of tangible personal property irrespective of the nature of the
27 person's business and including, among others, without limiting the
28 scope hereof, persons who install, repair, clean, alter, improve,
29 construct, or decorate real or personal property of or for consumers
30 other than for the purpose (a) of resale as tangible personal property
31 in the regular course of business or (b) of incorporating such property
32 as an ingredient or component of real or personal property when
33 installing, repairing, cleaning, altering, imprinting, improving,
34 constructing, or decorating such real or personal property of or for
35 consumers or (c) of consuming such property in producing for sale a new
36 article of tangible personal property or a new substance, of which such

1 property becomes an ingredient or component or as a chemical used in
2 processing, when the primary purpose of such chemical is to create a
3 chemical reaction directly through contact with an ingredient of a new
4 article being produced for sale or (d) purchases for the purpose of
5 consuming the property purchased in producing ferrosilicon which is
6 subsequently used in producing magnesium for sale, if the primary
7 purpose of such property is to create a chemical reaction directly
8 through contact with an ingredient of ferrosilicon;

9 (2)(a) Any person engaged in any business activity taxable under
10 RCW 82.04.290; (b) any person who purchases, acquires, or uses any
11 telephone service as defined in RCW 82.04.065, other than for resale in
12 the regular course of business; (c) any person who purchases, acquires,
13 or uses any service defined in RCW 82.04.050(2)(a) or any amusement and
14 recreation service defined in RCW 82.04.050(3)(a), other than for
15 resale in the regular course of business; and (d) any person who is an
16 end user of software;

17 (3) Any person engaged in the business of contracting for the
18 building, repairing or improving of any street, place, road, highway,
19 easement, right of way, mass public transportation terminal or parking
20 facility, bridge, tunnel, or trestle which is owned by a municipal
21 corporation or political subdivision of the state of Washington or by
22 the United States and which is used or to be used primarily for foot or
23 vehicular traffic including mass transportation vehicles of any kind as
24 defined in RCW 82.04.280, in respect to tangible personal property when
25 such person incorporates such property as an ingredient or component of
26 such publicly owned street, place, road, highway, easement, right of
27 way, mass public transportation terminal or parking facility, bridge,
28 tunnel, or trestle by installing, placing or spreading the property in
29 or upon the right of way of such street, place, road, highway,
30 easement, bridge, tunnel, or trestle or in or upon the site of such
31 mass public transportation terminal or parking facility;

32 (4) Any person who is an owner, lessee or has the right of
33 possession to or an easement in real property which is being
34 constructed, repaired, decorated, improved, or otherwise altered by a
35 person engaged in business, excluding only (a) municipal corporations
36 or political subdivisions of the state in respect to labor and services
37 rendered to their real property which is used or held for public road
38 purposes, and (b) the United States, instrumentalities thereof, and

1 county and city housing authorities created pursuant to chapter 35.82
2 RCW in respect to labor and services rendered to their real property.
3 Nothing contained in this or any other subsection of this definition
4 shall be construed to modify any other definition of "consumer";

5 (5) Any person who is an owner, lessee, or has the right of
6 possession to personal property which is being constructed, repaired,
7 improved, cleaned, imprinted, or otherwise altered by a person engaged
8 in business;

9 (6) Any person engaged in the business of constructing, repairing,
10 decorating, or improving new or existing buildings or other structures
11 under, upon, or above real property of or for the United States, any
12 instrumentality thereof, or a county or city housing authority created
13 pursuant to chapter 35.82 RCW, including the installing or attaching of
14 any article of tangible personal property therein or thereto, whether
15 or not such personal property becomes a part of the realty by virtue of
16 installation; also, any person engaged in the business of clearing land
17 and moving earth of or for the United States, any instrumentality
18 thereof, or a county or city housing authority created pursuant to
19 chapter 35.82 RCW. Any such person shall be a consumer within the
20 meaning of this subsection in respect to tangible personal property
21 incorporated into, installed in, or attached to such building or other
22 structure by such person, except that consumer does not include any
23 person engaged in the business of constructing, repairing, decorating,
24 or improving new or existing buildings or other structures under, upon,
25 or above real property of or for the United States, any instrumentality
26 thereof, if the investment project would qualify for sales and use tax
27 deferral under chapter 82.63 RCW if undertaken by a private entity;

28 (7) Any person who is a lessor of machinery and equipment, the
29 rental of which is exempt from the tax imposed by RCW 82.08.020 under
30 RCW 82.08.02565, with respect to the sale of or charge made for
31 tangible personal property consumed in respect to repairing the
32 machinery and equipment, if the tangible personal property has a useful
33 life of less than one year. Nothing contained in this or any other
34 subsection of this section shall be construed to modify any other
35 definition of "consumer";

36 (8) Any person engaged in the business of cleaning up for the
37 United States, or its instrumentalities, radioactive waste and other

1 byproducts of weapons production and nuclear research and development;
2 and

3 (9) Until July 1, 2003, any person engaged in the business of
4 conducting environmental remedial action as defined in RCW
5 82.04.2635(2).

6 NEW SECTION. **Sec. 9.** A new section is added to chapter 82.04 RCW
7 to read as follows:

8 This chapter does not apply to amounts received by any person for
9 research and development under the federal small business innovation
10 research program (114 Stat. 2763A; 15 U.S.C. Sec. 638 et seq.).

11 NEW SECTION. **Sec. 10.** A new section is added to chapter 82.04 RCW
12 to read as follows:

13 This chapter does not apply to amounts received by any person for
14 research and development under the federal small business technology
15 transfer program (115 Stat. 263; 15 U.S.C. Sec. 638 et seq.).

16 NEW SECTION. **Sec. 11.** Sections 9 and 10 of this act take effect
17 July 1, 2004.

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