

# Extend high tech research and development B&O tax credit with \$500,000 annual cap

**Description** This proposal would extend the current high-technology research and development (R&D) B&O tax credit until July 1, 2025, but limit the credit to \$500,000 annually.

- Current Law**
- Under current law, the B&O tax credit is capped at \$2 million per calendar year for each eligible firm.
  - Eligible firms must be engaged in at least one of five fields of high technology: advanced computing, advanced materials, biotechnology, electronic device technology or environmental technology.
  - The credit is allowed for eligible spending on R&D activities that exceed 0.92 percent of the firm’s taxable income.
  - Beginning in 2011, the credit was limited to 1.5 percent of eligible R&D spending.
  - The current program is scheduled to expire Jan. 1, 2015.

**Original Purpose and Current Analysis** The credit was created originally to stimulate the creation of high-wage jobs in high-technology industries and encourage firms to proceed from the R&D phase to actual manufacturing of new products. The current proposal has the same purpose.

**Citizen Commission Recommendation** The Citizen Commission’s last review of the high-technology B&O tax credit took place in 2012. The Commission recommended the Legislature review and clarify the policy objectives because it was unclear whether progress toward its high-technology R&D objectives was sufficient. The Legislative Auditor recommended the Legislature identify targets for investment and employment.

**Revenue Impact** General Fund Impacts (\$ millions)

# of Impacted Taxpayers	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
625	(\$25.0)	(\$26.3)	(\$51.3)	(\$27.4)	(\$28.5)	(\$55.9)

- *Estimates assume a July 1, 2015, effective date, representing 11 months of collections for FY 2016.*
- *Estimates reflect the November 2014 Economic and Revenue Forecast Council revenue forecast.*

