

ESHB 2658 - S AMD

By Senator Finkbeiner

1 On page 11, after line 17, insert the following:

2 "NEW SECTION. **Sec. 16.** (1) Cities, code cities, and towns may not
3 impose a business and occupation tax measured by "gross proceeds of
4 sales," "gross income of the business," or "value proceeding or
5 accruing," as those terms are used in chapter 82.04 RCW, on the
6 activity of creating intellectual property unless the city, code city,
7 or town imposed such a tax on January 1, 2002. Effective January 1,
8 2003, all cities, code cities, and towns are prohibited from imposing
9 a tax measured by "gross proceeds of sales," "gross income of the
10 business," or "value proceeding or accruing," as those terms are used
11 in chapter 82.04 RCW, upon any intellectual property creating activity
12 as a taxable incident. For purposes of this section, "intellectual
13 property creating activity" means research, development, authorship,
14 creation, or general or specific inventive activity without regard to
15 whether the intellectual property creating activity actually results in
16 the creation of patents, trademarks, trade secrets, subject matter
17 subject to copyright, or other intellectual property.

18 (2) It is the intent of the legislature in enacting this section to
19 distinguish between nontaxable activity undertaken by a business for
20 which the business receives no gross income in the form of payments,
21 contract amounts, fees, or other income, and taxable activity for which
22 the business receives gross income from goods or services that it has
23 sold or receives royalty income which may be taxed only in the city,
24 code city, or town in which the business is domiciled."

25 On page 12, line 17, after "14," insert " 16,"

26 Renumber the sections consecutively and correct any internal
27 references accordingly.

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