

February 5, 1997

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development

FROM: Kenny Pittman, Research Analyst (786-7392)

RE: **HB 1304 - Authorizing sales and use tax exemptions for call centers in distressed areas.**

BACKGROUND:

The state of Washington's tax structure includes a retail sales and use tax. A retail sales tax is imposed on the sale of tangible personal property and certain services purchased at retail. In general, the tax applies to goods, construction including labor, repair of tangible personal property, lodging for less than 30 days, telephone service, participatory recreational activities, and some personal and professional services. The state also imposes a use tax on items used in the state, where the acquisition was not subject to the retail sales tax. These include purchases made in other states, purchases where the seller does not collect sales tax, and items produced for use by the producer.

The state's retail sales and use tax is based on 6.5 percent of the selling price of the event. Local governments may also impose an additional sales and use tax up to 1.7 percent of the taxable event. The combined state and local retail sales and use tax rate currently ranges from 7.0 to 8.2 percent.

The state has developed several sales and use tax exemption programs. These programs are designed to provide an exemption from state and local sales and use taxes for specific firms to encourage their location or expansion within Washington.

SUMMARY:

A sales and use tax exemption is created for businesses located within an eligible area and engaged in call center activities. An exemption of both the state and local sales and use tax is available for: (1) purchase of machinery and equipment used for call center activities; (2) labor and services involved in installing, repairing, cleaning, altering, or improving machinery and equipment used for call center activities; (3) new construction or improvement of buildings used for call center activities; and (4) labor and services necessary for construction or improvement of the buildings.

The purchaser must provide the seller with an exemption certificate in a form and manner prescribed by the Department of Revenue. The purchaser must provide the Department of Revenue with either a copy of a certificate of individual exempt sales or a summary of exempt sales within a specified period.

Call centers- are defined as an independent business operation, leased facility, or division of an existing business with 50 or more employees, engaged in telecommunications business activities involving financial transactions, technical support operations, customer services, telemarketing, and charitable fund-raising activities.

Eligible areas- are defined as a rural natural resources impact area, a community empowerment zone, and a Governor-designated militarily impacted area.

Machinery and equipment- is defined as commercial fixtures, devices, support facilities, and tangible personal property, including electronic communications equipment, communications system infrastructure components, computer software and hardware, and office furniture.

Appropriation: None.

Fiscal Note: Requested January 28, 1997.

Effective Date: Ninety days after adjournment of session in which bill is passed.