
SENATE BILL 5434

State of Washington 56th Legislature 1999 Regular Session

By Senators Loveland, Fraser, West, Oke and Rasmussen

Read first time 01/22/1999. Referred to Committee on Ways & Means.

1 AN ACT Relating to tax credits for international service
2 activities; and amending RCW 82.04.44525 and 48.14.029.

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

4 **Sec. 1.** RCW 82.04.44525 and 1998 c 313 s 2 are each amended to
5 read as follows:

6 (1) Subject to the limits in this section, an eligible person is
7 allowed a credit against the tax due under this chapter. The credit is
8 based on qualified employment positions in eligible areas. The credit
9 is available to persons who are engaged in international services as
10 defined in this section. In order to receive the credit, the
11 international service activities must take place at a business within
12 the eligible area.

13 (2)(a) The credit shall equal three thousand dollars for each
14 qualified employment position created after July 1, 1998, in an
15 eligible area. A credit is earned for the calendar year the person is
16 hired to fill the position, plus the four subsequent consecutive years,
17 if the position is maintained for those four years.

18 (b) Credit may not be taken for hiring of persons into positions
19 that exist on July 1, 1998. Credit is authorized for new employees

1 hired for new positions created after July 1, 1998. New positions
2 filled by existing employees are eligible for the credit under this
3 section only if the position vacated by the existing employee is filled
4 by a new hire.

5 (c) When a position is newly created, if it is filled before July
6 1st, this position is eligible for the full yearly credit. If it is
7 filled after June 30th, this position is eligible for half of the
8 credit.

9 (d) Credit may be accrued and carried over until it is used. No
10 refunds may be granted for credits under this section.

11 (3) For the purposes of this section:

12 (a) "Eligible area" means: (i) A community empowerment zone under
13 RCW 43.63A.700; or (ii) a contiguous group of census tracts that meets
14 the unemployment and poverty criteria of RCW 43.63A.710 and is
15 designated under subsection (4) of this section;

16 (b) "Eligible person" means a person, as defined in RCW 82.04.030,
17 who in an eligible area at a specific location is engaged in the
18 business of providing international services;

19 (c)(i) "International services" means the provision of a service,
20 as defined under (c)(iii) of this subsection, that is subject to tax
21 under RCW 82.04.290(2), and either:

22 (A) Is for a person domiciled outside the United States; or

23 (B) The service itself is for use primarily outside of the United
24 States.

25 (ii) "International services" excludes any service taxable under
26 RCW 82.04.290(1).

27 (iii) Eligible services are: Computer; data processing;
28 information; legal; accounting and tax preparation; engineering;
29 architectural; business consulting; business management; public
30 relations and advertising; surveying; geological consulting; real
31 estate appraisal; or financial services. For the purposes of this
32 section these services mean the following:

33 (A) "Computer services" are services such as computer programming,
34 custom software modification, customization of canned software, custom
35 software installation, custom software maintenance, custom software
36 repair, training in the use of software, computer systems design, and
37 custom software update services;

38 (B) "Data processing services" are services such as word
39 processing, data entry, data retrieval, data search, information

1 compilation, payroll processing, business accounts processing, data
2 production, and other computerized data and information storage or
3 manipulation. "Data processing services" also includes the use of a
4 computer or computer time for data processing whether the processing is
5 performed by the provider of the computer or by the purchaser or other
6 beneficiary of the service;

7 (C) "Information services" are services such as electronic data
8 retrieval or research that entails furnishing financial or legal
9 information, data or research, internet service as defined in RCW
10 82.04.297, general or specialized news, or current information;

11 (D) "Legal services" are services such as representation by an
12 attorney, or other person when permitted, in an administrative or legal
13 proceeding, legal drafting, paralegal services, legal research
14 services, and court reporting services, arbitration, and mediation
15 services;

16 (E) "Accounting and tax preparation services" are services such as
17 accounting, auditing, actuarial, bookkeeping, or tax preparation
18 services;

19 (F) "Engineering services" are services such as civil, electrical,
20 mechanical, petroleum, marine, nuclear, and design engineering, machine
21 designing, machine tool designing, and sewage disposal system designing
22 services;

23 (G) "Architectural services" are services such as structural or
24 landscape design or architecture, interior design, building design,
25 building program management, and space planning services;

26 (H) "Business consulting services" are services such as primarily
27 providing operating counsel, advice, or assistance to the management or
28 owner of any business, private, nonprofit, or public organization,
29 including but not limited to those in the following areas:
30 Administrative management consulting; general management consulting;
31 human resource consulting or training; management engineering
32 consulting; management information systems consulting; manufacturing
33 management consulting; marketing consulting; operations research
34 consulting; personnel management consulting; physical distribution
35 consulting; site location consulting; economic consulting; motel,
36 hotel, and resort consulting; restaurant consulting; government affairs
37 consulting; and lobbying;

38 (I) "Business management services" are services such as
39 administrative management, business management, and office management.

1 "Business management services" does not include property management or
2 property leasing, motel, hotel, and resort management, or automobile
3 parking management;

4 (J) "Public relations and advertising services" are services such
5 as layout, art direction, graphic design, copy writing, mechanical
6 preparation, opinion research, marketing research, marketing, or
7 production supervision;

8 (K) "Surveying services" are services such as land surveying;

9 (L) "Geological consulting services" are services rendered for the
10 oil, gas, and mining industry and other earth resource industries, and
11 other services such as soil testing;

12 (M) "Real estate appraisal services" are services such as market
13 appraisal and other real estate valuation; and

14 (N) "Financial services" are services such as banking, loan,
15 security, investment management, investment advisory, mortgage
16 servicing, contract collection, and finance leasing services, engaged
17 in by financial businesses, or businesses similar to or in competition
18 with financial businesses; and

19 (d) "Qualified employment position" means a permanent full-time
20 position to provide international services. If an employee is either
21 voluntarily or involuntarily separated from employment, the employment
22 position is considered filled on a full-time basis if the employer is
23 either training or actively recruiting a replacement employee.

24 (4) By ordinance, the legislative authority of a city, or
25 legislative authorities of contiguous cities by ordinance of each
26 city's legislative authority, with population greater than eighty
27 thousand, located in a county containing no community empowerment zones
28 as designated under RCW 43.63A.700, may designate a contiguous group of
29 census tracts within the city or cities as an eligible area under this
30 section. Each of the census tracts must meet the unemployment and
31 poverty criteria of RCW 43.63A.710. Upon making the designation, the
32 city or cities shall transmit to the department of revenue a
33 certification letter and a map, each explicitly describing the
34 boundaries of the census tract. This designation must be made by
35 December 31, (~~1998~~) 1999.

36 (5) No application is necessary for the tax credit. The person
37 must keep records necessary for the department to verify eligibility
38 under this section. This information includes:

39 (a) Employment records for the previous six years;

1 (b) Information relating to description of international service
2 activity engaged in at the eligible location by the person; and

3 (c) Information relating to customers of international service
4 activity engaged in at that location by the person.

5 (6) If at any time the department finds that a person is not
6 eligible for tax credit under this section, the amount of taxes for
7 which a credit has been used shall be immediately due. The department
8 shall assess interest, but not penalties, on the credited taxes for
9 which the person is not eligible. The interest shall be assessed at
10 the rate provided for delinquent excise taxes under chapter 82.32 RCW,
11 shall be assessed retroactively to the date the tax credit was taken,
12 and shall accrue until the taxes for which a credit has been used are
13 repaid.

14 (7) The employment security department shall provide to the
15 department of revenue such information needed by the department of
16 revenue to verify eligibility under this section.

17 **Sec. 2.** RCW 48.14.029 and 1998 c 313 s 3 are each amended to read
18 as follows:

19 (1) Subject to the limits in this section, an eligible person is
20 allowed a credit against the tax due under RCW 48.14.020. The credit
21 is based on qualified employment positions in eligible areas. The
22 credit is available to persons who are engaged in international
23 insurance services as defined in this section. In order to receive the
24 credit, the international insurance services activities must take place
25 at a business within the eligible area.

26 (2)(a) The credit shall equal three thousand dollars for each
27 qualified employment position created after July 1, 1998, in an
28 eligible area. A credit is earned for the calendar year the person is
29 hired to fill the position, plus the four subsequent consecutive years,
30 if the position is maintained for those four years.

31 (b) Credit may not be taken for hiring of persons into positions
32 that exist on July 1, 1998. Credit is authorized for new employees
33 hired for new positions created after July 1, 1998. New positions
34 filled by existing employees are eligible for the credit under this
35 section only if the position vacated by the existing employee is filled
36 by a new hire.

37 (c) When a position is newly created, if it is filled before July
38 1st, this position is eligible for the full yearly credit. If it is

1 filled after June 30th, this position is eligible for half of the
2 credit.

3 (d) Credit may be accrued and carried over until it is used. No
4 refunds may be granted for credits under this section.

5 (3) For the purposes of this section:

6 (a) "Eligible area" means: (i) A community empowerment zone under
7 RCW 43.63A.700; or (ii) a contiguous group of census tracts that meets
8 the unemployment and poverty criteria of RCW 43.63A.710 and is
9 designated under subsection (4) of this section;

10 (b) "Eligible person" means a person, as defined in RCW 82.04.030,
11 who in an eligible area at a specific location is engaged in the
12 business of providing international insurance services;

13 (c) "International insurance services" means a business that
14 provides insurance services related directly to the delivery of the
15 service outside the United States or on behalf of persons residing
16 outside the United States; and

17 (d) "Qualified employment position" means a permanent full-time
18 position to provide international insurance services. If an employee
19 is either voluntarily or involuntarily separated from employment, the
20 employment position is considered filled on a full-time basis if the
21 employer is either training or actively recruiting a replacement
22 employee.

23 (4) By ordinance, the legislative authority of a city with
24 population greater than eighty thousand, located in a county containing
25 no community empowerment zones as designated under RCW 43.63A.700, may
26 designate a contiguous group of census tracts within the city as an
27 eligible area under this section. Each of the census tracts must meet
28 the unemployment and poverty criteria of RCW 43.63A.710. Upon making
29 the designation, the city shall transmit to the department of revenue
30 a certification letter and a map, each explicitly describing the
31 boundaries of the census tract. This designation must be made by
32 December 31, (~~1998~~) 1999.

33 (5) No application is necessary for the tax credit. The person
34 must keep records necessary for the department to verify eligibility
35 under this section. This information includes:

36 (a) Employment records for the previous six years;

37 (b) Information relating to description of international insurance
38 services activity engaged in at the eligible location by the person;
39 and

1 (c) Information relating to customers of international insurance
2 services activity engaged in at that location by the person.

3 (6) If at any time the department finds that a person is not
4 eligible for tax credit under this section, the amount of taxes for
5 which a credit has been used shall be immediately due. The department
6 shall assess interest, but not penalties, on the credited taxes for
7 which the person is not eligible. The interest shall be assessed at
8 the rate provided for delinquent excise taxes under chapter 82.32 RCW,
9 shall be assessed retroactively to the date the tax credit was taken,
10 and shall accrue until the taxes for which a credit has been used are
11 repaid.

12 (7) The employment security department shall provide to the
13 department of revenue such information needed by the department of
14 revenue to verify eligibility under this section.

--- END ---