

SHB 1462 - H AMD 309

By Representative Morris

ADOPTED 03/19/2003

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** A new section is added to chapter 35.21 RCW
4 to read as follows:

5 (1) A city may not impose a gross receipts tax on intellectual
6 property creating activities.

7 (2) A city may impose a gross receipts tax measured by gross
8 receipts from royalties only on taxpayers domiciled in the city. For
9 the purposes of this section, "royalties" does not include gross
10 receipts from casual or isolated sales as defined in RCW 82.04.040,
11 grants, capital contributions, donations, or endowments.

12 (3) This section does not prohibit a city from imposing a gross
13 receipts tax measured by the value of products manufactured in the city
14 merely because intellectual property creating activities are involved
15 in the design or manufacturing of the products. An intellectual
16 property creating activity shall not constitute an activity defined
17 within the meaning of the term "to manufacture" under chapter 82.04
18 RCW.

19 (4) This section does not prohibit a city from imposing a gross
20 receipts tax measured by the gross proceeds of sales made in the city
21 merely because intellectual property creating activities are involved
22 in creation of the articles sold.

23 (5) This section does not prohibit a city from imposing a gross
24 receipts tax measured by the gross income received for services
25 rendered in the city merely because intellectual property creating
26 activities are some part of services rendered.

27 (6) A tax in effect on January 1, 2002, is not subject to this
28 section until January 1, 2004.

29 (7) The definitions in this subsection apply to this section.

- 1 (a) "Gross receipts tax" means a tax measured by gross proceeds of
2 sales, gross income of the business, or value proceeding or accruing.
3 (b) "City" includes cities, code cities, and towns.
4 (c) "Domicile" means the principal place from which the trade or
5 business of the taxpayer is directed and managed. A taxpayer has only
6 one domicile.
7 (d) "Intellectual property creating activity" means research,
8 development, authorship, creation, or general or specific inventive
9 activity without regard to whether the intellectual property creating
10 activity actually results in the creation of patents, trademarks, trade
11 secrets, subject matter subject to copyright, or other intellectual
12 property.
13 (e) "Manufacture," "gross proceeds of sales," "gross income of the
14 business," "value proceeding or accruing," and "royalties" have the
15 same meanings as under chapter 82.04 RCW.
16 (f) "Value of products" means the value of products as determined
17 under RCW 82.04.450."

EFFECT: Changes terminology from business and occupation tax to gross receipts tax. A city B&O tax may be imposed on royalties, but not other compensation from sale or licensing of intellectual property. A city B&O tax on royalties may not be applied to casual and isolated sales, capital contributions, donations, or endowments. Intellectual property creating activity does not constitute manufacturing activity.

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