
HOUSE BILL 1364

State of Washington 58th Legislature 2003 Regular Session

By Representatives Morris, Anderson and Nixon

Read first time 01/23/2003. Referred to Committee on Finance.

1 AN ACT Relating to prohibiting municipal taxation of intellectual
2 property creating activities; adding a new section to chapter 35.21
3 RCW; providing an effective date; and declaring an emergency.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 35.21 RCW
6 to read as follows:

7 (1) A city, code city, or town shall not impose a tax measured by
8 "gross proceeds of sales," "gross income of the business," or "value
9 proceeding or accruing," as those terms are used in chapter 82.04 RCW,
10 upon any intellectual property creating activity as a taxable incident,
11 unless the city, code city, or town imposed such a tax on January 1,
12 2003. Effective January 1, 2005, all cities, code cities, and towns
13 are prohibited from imposing a tax measured by "gross proceeds of
14 sales," "gross income of the business," or "value proceeding or
15 accruing," as those terms are used in chapter 82.04 RCW, upon any
16 intellectual property creating activity as a taxable incident. Nothing
17 in this section precludes a city, town, or code city from imposing a
18 tax upon the sale of products that includes the benefits from
19 intellectual property creating activities.

1 (2) "Intellectual property creating activity" means research,
2 development, authorship, creation, or general or specific inventive
3 activity, without regard to whether intellectual property creating
4 activity actually results in the creation of patents, trademarks, trade
5 secrets, subject matter subject to copyright, or other intellectual
6 property.

7 (3) Fee-for-service and contract manufacturing activities shall not
8 be considered primarily directed at the creation of intellectual
9 property creating activity rights, whether or not such rights are
10 incidentally created in the course of conducting such activities.

11 NEW SECTION. **Sec. 2.** This act is necessary for the immediate
12 preservation of the public peace, health, or safety, or support of the
13 state government and its existing public institutions, and takes effect
14 July 1, 2003.

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