
ENGROSSED SUBSTITUTE HOUSE BILL 1462

State of Washington

58th Legislature

2003 Regular Session

By House Committee on Finance (originally sponsored by Representatives Morris, Cairnes, Gombosky, Ruderman, Nixon, Ericksen, Miloscia, Anderson, Wallace, Benson, Newhouse, Tom, Chandler, Orcutt, Woods, McMahan, Talcott and Campbell)

READ FIRST TIME 03/10/03.

1 AN ACT Relating to local government business and occupation tax on
2 intellectual property; and adding a new section to chapter 35.21 RCW.

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

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

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

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

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

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

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

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

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

12 (a) "Gross receipts tax" means a tax measured by gross proceeds of
13 sales, gross income of the business, or value proceeding or accruing.

14 (b) "City" includes cities, code cities, and towns.

15 (c) "Domicile" means the principal place from which the trade or
16 business of the taxpayer is directed and managed. A taxpayer has only
17 one domicile.

18 (d) "Intellectual property creating activity" means research,
19 development, authorship, creation, or general or specific inventive
20 activity without regard to whether the intellectual property creating
21 activity actually results in the creation of patents, trademarks, trade
22 secrets, subject matter subject to copyright, or other intellectual
23 property.

24 (e) "Manufacture," "gross proceeds of sales," "gross income of the
25 business," "value proceeding or accruing," and "royalties" have the
26 same meanings as under chapter 82.04 RCW.

27 (f) "Value of products" means the value of products as determined
28 under RCW 82.04.450.

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