
SECOND SUBSTITUTE SENATE BILL 5319

State of Washington

58th Legislature

2004 Regular Session

By Senate Committee on Economic Development (originally sponsored by Senators T. Sheldon, Hale and Esser)

READ FIRST TIME 02/05/04.

1 AN ACT Relating to tax incentives for call centers in rural areas
2 of the state; adding a new section to chapter 82.08 RCW; adding a new
3 section to chapter 82.12 RCW; creating a new section; and providing an
4 effective date.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that there are areas
7 of the state that still have very high levels of unemployment. The
8 legislature also finds that additional incentives are needed to promote
9 economic stimulation and new employment opportunities in these
10 distressed areas, and that these incentives are essential to increase
11 economic growth in these areas. The legislature intends to accomplish
12 this by providing tax incentives for call centers, toll services, or
13 network telephone services located in distressed areas of the state.

14 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08 RCW
15 to read as follows:

16 (1) The tax levied by RCW 82.08.020 does not apply to sales of
17 machinery and equipment used by a person who operates a call center
18 located in an eligible area, or to sale of or charges made for labor

1 and service rendered in respect to installing the machinery and
2 equipment. The exemption for labor and services provided by this
3 subsection does not apply to sale of or charges made for labor and
4 services for repairing, replacing, cleaning, altering, or improving the
5 machinery and equipment. The purchaser must provide the seller with an
6 exemption certificate in a form and manner prescribed by the
7 department. The seller must retain a copy of the certificate as part
8 of its permanent records for a period of at least five years.

9 (2) The tax levied by RCW 82.08.020 does not apply to sale of or
10 charges made for labor and services rendered in respect to constructing
11 or improving buildings used as a call center located in an eligible
12 area, or to sales of tangible personal property that becomes an
13 ingredient or component of such building during the course of
14 constructing or improving the buildings. The purchaser must provide
15 the seller with an exemption certificate in a form and manner
16 prescribed by the department. The seller must retain a copy of the
17 certificate as part of its permanent records for a period of at least
18 five years.

19 (3) The tax levied by RCW 82.08.020 does not apply to sales of or
20 charges to a person who operates a call center for rental of tangible
21 personal property along with an operator if such activity is used in
22 constructing or improving a building used as a call center located in
23 an eligible area or in regards to eligible machinery and equipment.
24 The purchaser must provide the seller with an exemption certificate in
25 a form and manner prescribed by the department. The seller must retain
26 a copy of the certificate as part of its permanent records for a period
27 of at least five years.

28 (4) The tax levied by RCW 82.08.020 does not apply to sale of toll
29 services, as defined in RCW 82.08.0289, to a person who operates a call
30 center located in an eligible area. This exemption applies to the
31 calendar year in which a call center's operations commence and the
32 immediately subsequent three calendar years. This exemption does not
33 apply to any other network telephone services of the call center. The
34 purchaser must provide the seller with an exemption certificate in a
35 form and manner prescribed by the department. The seller must retain
36 a copy of the certificate as part of its permanent records for a period
37 of at least five years.

1 (5) The tax levied by RCW 82.08.020 does not apply to sale of toll
2 services, as defined in RCW 82.08.0289, or to the sale of network
3 telephone services, as defined in RCW 82.04.065, for a person who
4 operated a call center before July 1, 2004. The exemption in this
5 subsection applies only to call centers in a rural area as defined in
6 RCW 82.16.0491 which also qualifies as a distressed area, as defined in
7 RCW 43.165.010. The exemption in this subsection applies beginning
8 July 1, 2004, and expires January 1, 2008. The purchaser must provide
9 the seller with an exemption certificate in a form and manner
10 prescribed by the department. The seller must retain a copy of the
11 certificate as part of its permanent records for a period of at least
12 five years.

13 (6)(a) To qualify for the exemptions provided in this section, a
14 call center must employ twenty-five or more employees who provide
15 customer service and support by responding to inbound telephone calls
16 and electronic contacts, using computer-automated equipment, an
17 electronic medium, or the telephone, within one year of commencing call
18 center operations. Office support, management, and other employees who
19 do not primarily perform customer service and support are not included
20 in determining if the operation meets the threshold for the number of
21 employees. In addition, if, at any time after the threshold is
22 satisfied, employment at the call center falls below the twenty-five or
23 more employees, the exemptions under this section are not available on
24 or after that date, until such time as employment levels meet the
25 threshold.

26 (b) If a person discontinues the operation of a call center located
27 in an eligible area, the amount of taxes for which the exemption has
28 been claimed for the current calendar year and the preceding three
29 calendar years is immediately due. The department shall assess
30 interest, but not penalties, on the taxes for which the person is not
31 eligible. The interest shall be assessed at the rate provided for
32 delinquent excise taxes under chapter 82.32 RCW, shall be assessed
33 retroactively to the date the tax exemption was taken, and shall accrue
34 until the taxes for which the exemption has been taken are repaid.

35 (7) A person taking the exemptions under this section must apply to
36 the department for a call center exemption certificate. The
37 application must be in a form and manner as prescribed by the
38 department. The department shall rule on the application within sixty

1 days of receipt. The department shall issue an exemption certificate
2 to those persons that qualify as a call center located in an eligible
3 area. The exemption certificate is valid for a one-year period. Call
4 centers taking the exemptions provided by this section must reapply
5 each year to maintain eligibility.

6 (8) A person who takes an exemption under this section shall make
7 an annual report to the department. The report must be filed by
8 January 30th following any year in which an exemption under this
9 section was taken. The report shall be in letter form and shall
10 include the following information: Taxpayer name and registration
11 number, confirmation that the person is operating a call center,
12 location of the call center, how long the call center has been in that
13 location, the amount of each exemption taken under this section, and
14 the average number of employees providing customer service and support.
15 Failure to file a report will not result in the loss of eligibility
16 under this section. However, the department shall contact the
17 taxpayers who have not filed the report and obtain the data from the
18 taxpayer or assist the taxpayer in the filing of the report, so that
19 the data and information necessary to measure the program's
20 effectiveness is collected.

21 (9) The definitions in this subsection apply throughout this
22 section unless the context clearly requires otherwise:

23 (a) "Buildings" means those structures used in a call center
24 located in an eligible area. If a building is used partly for a call
25 center located in an eligible area and partly for other purposes, the
26 applicable tax exemption shall be determined by apportioning the costs
27 of the construction. Such apportionment shall be based on square
28 footage and determined according to the ratio of the square footage of
29 that portion of the building(s) used as a call center bears to the
30 square footage of the total building. The term "buildings" also
31 includes utility systems for heating, ventilation, air conditioning,
32 plumbing, electrical, or similar systems used in the call center
33 operation.

34 (b) "Call center located in an eligible area" means a business
35 operation:

36 (i) Employing twenty-five or more employees who provide customer
37 service and support by responding to inbound telephone calls and

1 electronic contacts, using computer-automated equipment, an electronic
2 medium, or the telephone; and

3 (ii) Commencing the operation of a call center, after July 1, 2004,
4 in one of the following eligible areas:

5 (A) A community empowerment zone, as defined in chapter 43.31C RCW;

6 (B) A county with fewer than one hundred persons per square mile,
7 as determined annually by the office of financial management and
8 published by the department, effective for the period July 1st through
9 June 30th; or

10 (C) A county smaller than two hundred twenty-five square miles, as
11 determined annually by the office of financial management and published
12 by the department, effective for the period July 1st through June 30th.

13 (c) "Call center located in an eligible area" does not include:

14 (i) A call center that relocates any portion of a call center from
15 within the state to an eligible area under this section;

16 (ii) A business operation engaged in the activity of telemarketing
17 or the solicitation of sales; or

18 (iii) A business that merely incorporates, reincorporates, merges,
19 or otherwise changes or reforms its identity in an attempt to qualify
20 as a call center located in an eligible area.

21 (d)(i) "Machinery and equipment" means commercial fixtures and
22 devices, such as electronic communications equipment, communications
23 systems infrastructure components, computer software, computer
24 hardware, office furniture, and any other fixture and device necessary
25 for the communications operations of a call center located in an
26 eligible area. "Machinery and equipment" includes tangible personal
27 property that becomes an ingredient or component of the fixture or
28 device.

29 (ii) "Machinery and equipment" does not include:

30 (A) Hand-powered tools, such as hammer and wrenches;

31 (B) Property with a useful life of less than one year; or

32 (C) Repair and replacement parts for otherwise eligible machinery
33 and equipment.

34 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.12 RCW
35 to read as follows:

36 (1) The provisions of this chapter do not apply to the use by a
37 person who operates a call center located in an eligible area of:

1 (a) Machinery and equipment used in a call center located in an
2 eligible area;

3 (b) Labor and services rendered in respect to installing the
4 machinery and equipment in a call center located in an eligible area;
5 and

6 (c) Tangible personal property that becomes an ingredient or
7 component of buildings used in a call center located in an eligible
8 area.

9 (2) "Building," "call center located in an eligible area," and
10 "machinery and equipment" have the same meanings given in section 2 of
11 this act.

12 NEW SECTION. **Sec. 4.** This act takes effect July 1, 2004.

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